Austria	Sch24	Indonesia	Rp3100	Philippines	Peso40
Bahrain	Din0.700	Iran	Rls210	Portugal	Esc160
Belgium	BFr55	Israel	Shk6.80	Qatar	QR6.30
Cyprus	C£0.90	Italy	L2000	S.Arabia	SR7.00
Denmark	DKr12.00	Jordan	Fils1000	Singapore	S$4.10
Egypt	E£3.25	Kuwait	Fils.500	Spain	Pta165
Finland	FM9.50	Lebanon	L£400.00	Sweden	SKr12
France	FFr7.50	Lux	LFr55	Switz	SFr2.50
Germany	DM2.60	Malaysia	M$4.25	Thailand	Bt50
Greece	Dr150	Morocco	Dh6.00	Tunisia	Din0.800
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L3400
Hungary	Ft187	Nigeria	Naira10	UAE	Dh7.00
Iceland	IKr160	Norway	NKr12.00		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,131

Tuesday April 24 1990

D 8523A

LITHUANIA
No simple answers to Baltic crisis
Page 23

World News

Lithuanian delegation is ignored by Moscow

The Soviet Union refused to meet a Lithuanian delegation in Moscow as it continued the pressure of its energy blockade on the rebellious Baltic republic.

Professor Brunius Kuzmickas, deputy chairman of Lithuania's Supreme Council, and six colleagues had tried to contact Mr Vadim Bakatin, Soviet Interior Minister, and Mr Anatoly Lukyanov, Chairman of the Supreme Soviet, but said he could persuade no one in the Soviet Government to talk to him. Page 24

Sudan coup crushed

Sudan's military leaders have crushed an attempt to overthrow their nine-month rule, according to President Omar Hassan Ahmed el-Bashir, who said on state-run Radio Omdurman that the Government was fully in control. Page 6

US 'gesture' urged

Iran and its supporters in Lebanon called for a reciprocal gesture from the US for the freeing of an American hostage amid fresh talk of the imminent release of a second hostage. Page 6

Nepal protest

Police opened fire on demonstrators as Kathmandu and other Nepalese towns were affected by unruly demonstrations just a few days after the first multi-party government in 30 years took office. At least seven people have been reported killed. Page 8

Shamir blocks Peres

Leaders of Israel's Labour Party conceded that the month-long struggle by Mr Shimon Peres to form a government committed to peace talks with the Palestinians appeared doomed. Page 6

US agency head

The Bush Administration has removed Mr Craig Fields, head of the Pentagon's Defence Advanced Projects Agency (Darpa) and a leading proponent of developing an industrial policy to meet the economic challenge of Japan and western Europe. Page 24

Polish recovery soon

Economic recovery in Poland should begin to appear in the second half of this year, Mr Leszek Balcerowicz, the country's Deputy Premier, told delegates to Solidarity's trade union congress. Page 3

Romania trial appeal

Four close associates of executed Romanian dictator Nicolae Ceausescu appealed against life sentences imposed for "co-authorship of genocide" in Romania's December revolution, Rompress news agency said.

Nigeria coup 'over'

President Ibrahim Babangida's government has resumed full authority after Sunday's failed coup attempt. Lagos airport is expected to be open for international flights soon. Page 6

Xinjiang open

China said the far western corner of Xinjiang bordering the Soviet Union had reopened to foreign tourists after what now appears to have been serious trouble. Rebels had reportedly formed Islamic death squads. Page 8.

Britain presses Nato

Nato must redouble its efforts to secure a treaty this year on conventional force reductions in Europe after a recent "stiffening" of Soviet attitudes, Mr Douglas Hurd, British Foreign Secretary, said. Page 2

Colombian rebels die

Colombian army said its newly-created Mobile Brigade number one, a 2,500-member rapid deployment force, had killed 16 leftist guerrillas in a weekend offensive and had captured seven rebels and seized arms, radios and ammunition.

Business Summary

Eurotunnel needs extra £2.5bn to cover costs

Plans to raise as much as another £2.5bn ($3.26bn) to cover the increased cost of building the Channel tunnel were announced by Eurotunnel, the Anglo French Channel group. Page 24

SELLAFIELD nuclear plant in north-west Britain has won a contract worth £225m ($369m) to reprocess 450 tonnes of spent fuel from West Germany. Page 24

EXXON, world's largest oil company, has reported flat first-quarter profits, with higher oil earnings abroad offsetting lower US earnings and a worldwide decline in chemicals. Page 26

FRAMATOME, France's leading nuclear plant builder, launched a counter-attack against attempts by CGE, the French telecommunications and engineering group which is its largest shareholder, to take control. Page 26

HAMBRO Magan and the Blackstone Group, leading independent corporate advisers in the UK and US, have formed an alliance to work on trans-Atlantic mergers and acquisitions. Page 31

BURMESE military government has formed a joint venture with the Daichi group of Japan, for five projects, including two airports. Page 4

AVON Products, world's biggest manufacturer of cosmetics and toiletries, reported a strong improvement in first-quarter earnings, to $15.2m against $6.2m for the same period last year. Page 27

SOLIDARITY'S Economic Fund, a company owned by the Polish trade union, has signed a letter of intent with Equitable Life Insurance, US life insurance company, for a joint venture. Page 4

MARKETS: Concerns about rising interest rates kept pressure on the US equity market. Page 54

MEXICAN press will be free to import newsprint, after a decision to end the monopoly over distribution by the state-owned Productora e Importadora de Papel. Page 4

ECONOMIC reform in eastern Europe could add 10 per cent to world trade, according to American Express Bank. Page 4

SPANISH Government plans to introduce a new mergers law to discourage companies from merging simply to generate tax breaks on the capital gains that normally result from revaluing merging assets. Page 26

AERITALIA, Italian aerospace company, has won its first full contract from Airbus Industrie, the European four-nation manufacturer. Page 4

VISA International, association of banks issuing Visa credit cards, is to launch a business card for the first time in its Europe, Middle East, and Africa regions. Page 4

GRAND Metropolitan and Courage, UK brewery groups, have amended their breweries-for-pubs swap in an effort to get the deal cleared by British and European Community regulators. Page 12

EUROBOND market enjoyed rare profitability, with two issues performing well amid widespread demand. Page 31

LIKELIHOOD of the European Bank for Reconstruction and Development being set up in London under a French director strengthened after a meeting of European Community finance ministers in Luxembourg. Page 2

RENOWN Incorporated, Japan's biggest clothing group, made a recommended cash offer for Aquascutum Group which valued the British classic clothing company at £73.8m ($120m.) Page 25

Bonn offers E Germans parity in currency rates

By Andrew Fisher and David Marsh in Frankfurt

THE WEST GERMAN Government yesterday snubbed the Bundesbank by offering East Germans a more favourable conversion rate for currency union than the central bank had recommended.

Bonn announced that wages, pensions and a large proportion of savings will be converted on the basis of one East German Mark for one D-Mark in a move designed to soothe recent East German anger over suggestions of a less generous conversion rate.

The news, however, prompted sharp falls in German equity and bond prices.

Recent Bundesbank warnings that a one-for-one conversion rate might force it to step sharply on the monetary brakes were partly behind a sharp fall of about 2.5 per cent on the Frankfurt stock market.

Dealers said, however, that the market's fall owed more to an absence of buying than a wave of selling. Government bonds shed up to 70 pfennigs.

Mr Dieter Vogel, a Bonn Government spokesman, said East Germans would be able to convert savings of up to 4,000 East Marks into D-Marks on a one-for-one basis – twice the sum recommended by the Bundesbank. Savings above this level would be convertible at two-for-one.

Wages and pensions would also be converted at a one-for-one rate. There would, however, be no compensation for the removal of the current range of East German subsidies on rents and goods, although the timing for their removal has yet to be clarified.

For the average East German, the proposals would mean an immediate and substantial upvaluation of their pay and savings – enabling them to buy West German consumer goods, although at West German prices.

In recommending a two-for-one exchange rate, however, the Bundesbank had stressed that this would not mean that incomes would be halved, since wages and pensions could then be increased separately.

In a step evidently aimed at staving off a collapse of the East German economy, Bonn also agreed that corporate debt to the former state banking monopoly, some 260bn Marks, should be converted at two-for-one.

Economists and industrialists have repeatedly pointed out that a one-for-one conversion would put an intolerable load on East German industry's shaky finances and weak competitiveness.

The statement from Bonn said the coalition was determined to bring in currency and economic union with East Germany by July.

It said the West German offer took account of the Bonn Government's responsibility for the economic and social situation in both Germanys and for the stability of the D-Mark.

Reaction from the East German Government to the proposed conversion rate was mixed. Mr Mathias Gehler, the Government spokesman, said the conditions for monetary union conformed with proposals last week from Mr Lothar de Maiziere, the Prime Minister, in his programme.

He added that the 4,000 Marks ceiling on savings qualifying for the one-to-one conversion rate could be accepted as a basis for negotiations on monetary union. Mr de Maiziere is to hold talks today in Bonn with Chancellor Helmut Kohl of West Germany.

Chancellor Kohl's offer of currency union, made in February, was intended to stem the steady flow of refugees across the border into the west. This has slowed considerably in the past few weeks.

Other reports, Page 2; Editorial comment, Page 22; Currencies, Page 50

Fear of steamroller effect persists

MORE than six hours after the Bonn Government's long-awaited decision on how East German wages, pensions and savings will be converted into D-Marks under monetary union, Dr Walter Romberg, the East German Finance Minister, had still not been informed by the West Germans, writes Leslie Colitt in East Berlin.

"I cannot really say much as I have only seen the agency reports," he remarked apologetically. His state of imperfect knowledge was telling of the relationship between West Germany and East Germany on the road to unification.

Dr Romberg expressed open disagreement with Bonn's decision to convert only savings up to 4,000 East German Marks at the rate of one to one and amounts exceeding this at two to one. He said that this would hit retired East Germans particularly hard and was unacceptable.

"The elderly in this country depend on their savings. They must get another ruling," he insisted.

Dr Romberg, the leading Social Democratic figure in the conservative-dominated governing coalition, warned that West Germany would in the end have to pay for the high social costs of East Germany if the latter could no longer support itself.

The Finance Minister also expressed displeasure with Chancellor Helmut Kohl's "full steam ahead" approach to achieving economic unity by July 1, which he called "problematic". He also called the prospect of political unification next year potentially de-stabilising.

Dr Romberg noted that suddenly exposing highly subsidised East German industry to the full force of western competition – as some West Germans were advocating – could produce seven-figure unemployment. It was already clear that living standards would fall in the short term.

East Germany, he said, was being flooded with West German products, threatening jobs in all sectors.

Dr Romberg disclosed that artificially low prices for food, services, transport and housing would be the first to be raised after monetary union in July. Rents, however, would continue to be subsidised to a considerable degree.

He placed the current deficit in the East German budget at about 20bn Marks, which he said was *not* high by western standards.

Norsk Hydro signs gas deal with Soviets

By Anthony McDermott in London

NORSK HYDRO, the Norwegian petroleum group, yesterday signed a contract with the Soviet Union to lead the team planning the development of the world's largest natural gas field in the Soviet sector of the Barents Sea.

The Norwegian group may also take a share in the field, which could come on stream in the year 2000.

Yesterday, Mr Hans Kraft Johanssen, a Norsk Hydro official, said: "We hope to become part-owners in the field so that we can become partners in its development." He said it was the first time western companies had been allowed such participation in a Soviet field.

Mr Kraft Johanssen said various development proposals would be prepared this year, and in 1991 the development plan and timing of the project would be decided.

Norsk Hydro, DuPont Services of Holland, and the Finnish companies Wärtsilä, Imatran Voima and Neste will all participate in a study for developing the gas field, according to a report by NTB, the Norwegian news agency. The arctic field, 600km from land, is believed to be four times larger than Norway's Troll natural gas field in the North Sea.

Troll, with recoverable reserves of 1,288bn cubic meters of natural gas, plus oil, was considered the world's largest offshore gas field until the Soviet field – named Stockmanovaskoje – was discovered in 1988.

If the feasibility study of the field strengthens the estimates of the viability of Soviet offshore gas fields, this could lead to further joint ventures between western companies and the Soviet Union.

However, the future price of natural gas will play a central role in the long-term economy of the project. The field's development will also depend on whether sufficient markets exist.

Environmental concerns may also affect the project's development.

The field is likely to supply military installations and towns on the strategic Kola Peninsula.

Chinese Premier Li Peng (right) is met by his Soviet counterpart Nikolai Ryzhkov at Moscow airport yesterday

Chinese Premier may sign trade pact in Moscow

By John Lloyd in Moscow and Colina MacDougall in London

LI PENG, China's Prime Minister, arrived in Moscow yesterday for a three-day visit reciprocating the trip by Soviet President Mikhail Gorbachev in May last year which ended 30 years of Sino-Soviet freeze.

The Chinese Premier – who was met by Mr Nikolai Ryzhkov, the Soviet Prime Minister, and Mr Eduard Shevardnadze, Foreign Minister – is expected to have talks with President Gorbachev and other Soviet leaders.

On his arrival, Li said: "We are confident that improvement of Sino-Soviet relations not only meets the basic interests of the people of both countries but also promotes the cause of peace and development in Asia and throughout the whole world."

The visit should clear the way for agreement on troop cuts along the 7,500km border between the two countries, the scene of clashes in the 1960s and 1970s.

A trade agreement, calling for the substitution of cash for barter exchanges, is also expected.

Li's visit marks the decision taken by Peking and Moscow to pursue pragmatic relations despite a sharpening of ideological differences over the past year as the Soviet Union struggles to reform and China to tighten up in the wake of the Tiananmen Square massacre in June last year.

Mr Gorbachev's visit to Peking became a focus for pro-democracy protesters seeking a form of glasnost in China.

The presence of hunger-strikers and demonstrators in Tiananmen Square forced the cancellation of all official ceremonies scheduled for the square and humiliated the Chinese leadership.

Li helped to mastermind the suppression of demonstrating students and is unlikely to be personally welcome since Mr Gorbachev made an appeal during his Peking visit for a political solution to the crisis.

Li's visit to the Soviet Union is an indication of the efforts being made by the Chinese regime to emerge from diplomatic isolation after the clampdown on the students which resulted in western Europe, Japan and the US mainly boycotting high-level exchanges.

The trade agreement is expected to put flesh on proposals to increase economic and technical co-operation, especially in power engineering, metallurgy, transport and consumer goods production.

Sino-Soviet trade reached a level of Rbs 2.4bn last year.

China reopens border area, Page 8

Hoylake consortium abandons £13bn bid for BAT Industries

By Andrew Hill and Clay Harris in London

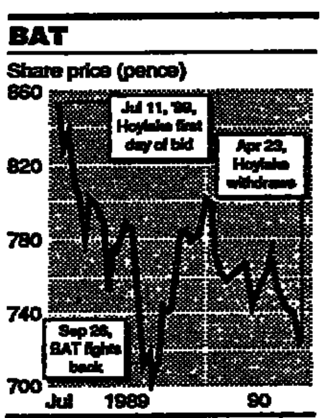
SIR James Goldsmith's Hoylake consortium yesterday abandoned its attempt to take over BAT Industries, but claimed victory in the "intellectual battle" for the future of the UK tobacco-based conglomerate.

Hoylake ended the struggle, launched last July as the largest bid in British corporate history, with a 27-word statement, released after the London stock market had closed.

It read: "Hoylake announces that it will not renew its offer for BAT. The directors of Hoylake wish BAT and its unbundled offspring great success within their new structures."

Sir James, who is in the Far East, was not available to comment on the statement, but Hoylake later added: "We have won the intellectual battle, but lost the commercial war."

The Anglo-French financier launched the audacious and complex £13.5bn ($22bn) offer last July with Mr Jacob Rothschild, the British financier, and the Australian businessman Mr Kerry Packer. In the attempt, the trio added the concept of "unbundling" – "liberating" parts of a conglomerate to benefit shareholders – to the financial vocabulary.



Hoylake claimed a moral victory because BAT, under fire, was moving to realise value for shareholders by selling and demerging peripheral businesses. Mr Patrick Sheehy, BAT's chairman, yesterday did not deny this.

"The value was always there," Mr Sheehy said. "We could have got it – it might have taken a bit longer. But [after Hoylake's bid] shareholders said they wanted it released, not in three or five years, but as quickly as possible."

Mr Sheehy said BAT would pursue the path for which it had received a "ringing endorsement" from shareholders. The company's strategy is to concentrate on tobacco and financial services.

Argos, the UK catalogue retailer, was demerged earlier this month and the similar flotation of Wiggins Teape Appleton, its worldwide paper business, is scheduled for June 1. BAT shareholders are receiving shares in both companies.

BAT is selling its US stores chains outright. Chicago-based Marshall Field has been sold for $1bn; bids for Saks Fifth Avenue close this week. The bid also prompted a hefty increase in dividend and a share buy-back scheme, both

Continued on Page 24
Lex, Page 24; Background, Page 25

CONTENTS

Spring thaw in prospect for US-Iran relations

In the minds of western officials in Damascus there is no doubt that Iran's President Ali Akbar Hashemi Rafsanjani has made an emphatic gesture towards the west in general and the US in particular.
Page 6

MARKETS

STERLING
New York close
$1.6355 (1.636)
London:
$1.6365 (1.6355)
DM2.7775 (2.7625)
FFr9.32 (9.2725)
SFr2.4425 (2.4375)
Y258.0 (258.0)
£ Index 87.4 (87.2)

GOLD
New York: Comex Jun $381.8
London:
$376.0 (375.25)

N SEA OIL (Argus)
Brent 15-day Jun
$17.775 (17.125)

Chief price changes yesterday: Page 25

DOLLAR
New York close
DM1.6987 (1.688)
FFr5.700 (5.669)
SFr1.4945 (1.4905)
Y157.54 (157.5)
London:
DM1.697 (1.6885)
FFr5.695 (5.67)
SFr1.493 (1.491)
Y157.65 (157.8)
$ Index 68.5 (68.3)
Tokyo close: 157.55

US lunchtime rates
Fed Funds rates
3-mo Treasury Bills:
yield: 7.968%
Long Bond:
$95\frac{1}{4}$
yield: 8.951%

STOCK INDICES
FT-SE 100:
2,159.2 (−27.9)
FT Ordinary:
1,692.7 (−19.9)
FT-A All-Share:
1,074.1 (−1.1%)
New York close
DJ Ind. Av.
2,666.67 (−29.28)
S&P Comp
331.23 (−4.89)
Tokyo: Nikkei
29,679.07 (−156.37)

LONDON MONEY
3-month interbank:
closing $15\frac{3}{16}$ ($15\frac{3}{16}$)
Life long gilt future:
June $79\frac{1}{4}$ ($79\frac{7}{16}$)

EUROPEAN NEWS

London moves up in race to host E Europe bank

By David Buchan in Luxembourg

THE likelihood of the European Bank for Reconstruction and Development being set up in London under a French director strengthened yesterday after a meeting of European Community finance ministers in Luxembourg.

Soundings taken by the Irish presidency of the EC revealed that, in the opinion of most member states expressing a clear view, only London and Paris were in the running as the site for the bank, which some 42 western and eastern countries are to set up to help rebuild the post-communist economies of Eastern Europe.

Mr Pierre Bérégovoy, French finance ministry, disclosed that, given a choice, his country would prefer to field the bank's chief executive rather than host the institution.

This leaves Mr Jacques Attali, President François Mitterand's economic adviser, strongly placed in his contest with Mr Onno Ruding, the former Dutch Finance Minister, for the job.

The UK government has pitched strongly for the bank to come to London, putting out a three-language brochure vaunting the financial logic of it being in or near the City of London.

Yesterday, Mr John Major, UK Chancellor of the Exchequer, merely reminded his EC partners that the 30 non-EC countries involved in the bank looked to the Twelve to set a lead.

Other key issues, including capitalising the bank at Ecus 10bn and the extent of lending-powers to the Soviet Union, have been or are near being finalised, EC officials say.

Final EC decision on the bank's site and president could come at next Saturday's EC summit in Dublin. The Community's views are unlikely to be resisted by those outside Europe, though the US has made known its clear preference for a known monetary conservative like Mr Ruding, one-time chairman of the International Monetary Fund steering committee.

Bill to lift Soviet tax thresholds moves ahead

By John Lloyd in Moscow

A BILL designed to lift the tax thresholds for the low-paid and help lay the foundations of a "regulated market" was passed by the Council of Nationalities, one of the two houses of the Supreme Soviet, yesterday.

It raises the minimum wage exempt from tax to Roubles 100 (£100) a month from Rbs70, reduces the amount paid on incomes of up to Rbs150, and leaves unchanged the rates on salaries of between Rbs150 and Rbs700.

The official Soviet poverty level is defined as a wage Rbs75 a month, with the average wage Rs220-Rbs230 a month. Taxes will rise sharply on incomes above Rbs1,500, and reach 60 per cent on incomes of Rs 3,000 and over. (Mr Nikolai Ryzhkov, the Prime Minister, has an official salary of Rbs1,400).

The new law will end tax breaks to some privileged professions, but will give a two-year tax holiday to families setting up their own farm.

Smaller taxes will be levied on families with three or more children, and on authors' fees. A separate bill abolishes the tax on unmarried men and childless families.

The Supreme Soviet is considering two variants of company tax: one, from the Government, proposes a company tax rate of 55 per cent; the other, from Deputy Viktor Yaroshenko, a 35 per cent rate.

The tax inspectorate is being expanded from 40,000 to 100,000. Mr Vladimir Panskov, First Deputy Finance Minister, said a new tax law will lay out fines for evasion, and prepare ground for all citizens to make individual tax returns.

Bundesbank shrugs off monetary union terms

By David Marsh and Andrew Fisher in Frankfurt

THE West German Bundesbank's president, Mr Karl Otto Pöhl, well understands that the central bank's much-vaunted independence has clear limits. After the Bonn Government's decision in favour of a general 1 for 1 exchange rate for the D-Mark against the East German Mark, in contrast to the 2 for 1 conversion suggested by the central bank, the limits of that independence now seem publicly evident.

In fact, the economic fundamentals behind yesterday's offer by Bonn are more in line with the Bundesbank's recommendation than appears at first sight.

The Bundesbank may have lost out psychologically in the battle of words over the terms of monetary union. But – assuming the Government's conversion suggestion is accepted by East Berlin – the central bank does not seem to have suffered undue damage in its anti-inflation strategy. In the words of one Bundesbank official yesterday, "This is not a catastrophe."

Mr Pöhl was wrong-footed from the beginning by Chancellor Helmut Kohl's surprise announcement in February that he was seeking immediate talks on monetary union.

Relations between Frankfurt and Bonn have not been helped by several recent warnings from Mr Helmut Schlesinger, the Bundesbank vice president, that a 1 for 1 conversion rate would cause the central bank to "step hard on the monetary brakes."

Mr Schlesinger warned at the weekend of a "wage-price spiral" in case of a 1 for 1 conversion – a statement which must have added to jitters on the German bond markets yesterday. But the three main strands to yesterday's decision may be less distasteful to the Bundesbank than Mr Schesinger has been suggesting.

● East German savings will be converted at a rate of 1 for 1 up to 4,000 East Marks, and 2 for 1 thereafter. In view of East German cash and savings of 170bn-180bn East Marks, this will mean that a sum of East German savings of around DM120bn will be added to potential West German liquidity, amounting to roughly 10 per cent of the West German money supply.

Under the Bundesbank's previous suggestion of 1 for 1 up to 2,000 East Marks, the addition to the money supply would have been only DM100bn - hardly a significant difference in view of the size of the West German economy of more than DM2,000bn.

● Wages and pensions will be converted at 1 for 1 rather than the 2 for 1 suggested by the Bundesbank. However, the Government made clear yesterday that wages would be held at their present East Mark levels before the conversion, rather than being increased first by roughly 30 per cent under the old suggestion.

● Corporate debts to the previously state-owned banking sector – 260bn East Marks – will be converted into D-Marks at 2 for 1. To make up for the banks' shortfall in assets, the new united German government will have to issue and pay interest on "compensation bonds" to the banking sector, which will cost the public sector extra interest of perhaps as much as DM8bn a year.

Everything will now depend on whether East German wage levels are adjusted flexibly in line with market conditions in individual sectors. As Mr Hermann Remsperger, chief economist at the BHF-Bank in Frankfurt put it yesterday: "The big question is how East Germans will behave – what they will do with their newly converted savings – whether they go on a spending spree, or keep them in the bank."

The Government's suggestion yesterday was an attempt to "square the circle between the Bundesbank's pure anti-inflation preoccupations and the political and social needs of East Germans, and the competitive and financial situation of East German industry," Mr Remsperger said. "Only a magician could satisfy all these conflicting requirements."

TIETMEYER HOLDS THE RING BETWEEN BONN AND FRANKFURT

MR HANS TIETMEYER, the 58-year-old Bundesbank director in charge of international relations, has emerged as the éminence grise behind the preparations for German monetary union. He is also a key figure in the conflict of personalities which has emerged between the Government and the Bundesbank, writes David Marsh.

A member of Chancellor Helmut Kohl's Christian Democrats, Mr Tietmeyer (pictured right) held the powerful job of State Secretary in the Bonn Finance Ministry from 1982 before moving to the Bundesbank at the end of last year.

Mr Kohl chose him at the end of last month to act as his personal adviser on forging monetary links with East Germany. Mr Tietmeyer, a dour Westphalian, has a formidable reputation as a negotiator and is also well known among colleagues as a workaholic.

He has recently visited Mr Lothar de Maizière, the East German Prime Minister, to explain Mr Kohl's thinking behind the monetary conversion plan.

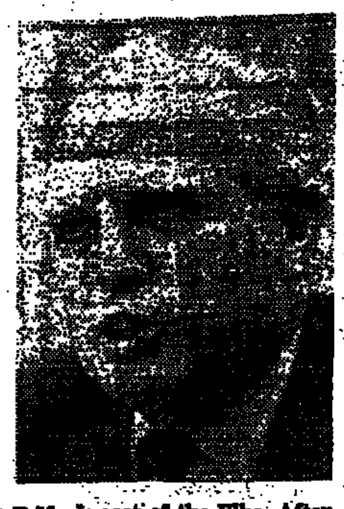
"I wouldn't like to have him as an enemy," is one comment from a Bonn government official who once worked alongside him. It is no secret that Mr Karl Otto Pöhl, the Bundesbank president and a member of the Social Democrats, regards Mr Tietmeyer as something of a rival.

Mr Tietmeyer, like his former boss, Mr Theo Waigel, the Finance Minister, has become a fervent proponent of German unification. At the end of last year, he took the western allies to task for failing to give Bonn enough support in the matter – something the laconic Mr Pöhl would never have done.

Even though Mr Pöhl and Mr Kohl have gone out of their way, in public, to praise each other in recent weeks, relations between the two have been under strain sporadically. Mr Kohl has resented occasional assertions by Mr Pöhl that the Chancellor is an economic lightweight.

During his years as second-in-command at the Finance Ministry, Mr Tietmeyer was responsible for everything from Bonn's privatisation policies to preparing West Germany's position at the annual economic summits.

He predicted at the end of last year that his move to the Bundesbank would allow him to throttle back on his heavy work load. Instead, he has found himself at the centre of the thrust to introduce the



D-Mark east of the Elbe. After the Bundesbank's psychological setback over the 1 for 1 conversion plan, Mr Tietmeyer could find that his influence as Mr Kohl's man at the Bundesbank may now increase further.

Britain presses Nato on European force reductions

By David White in Brussels

NATO MUST redouble its efforts to secure a treaty this year on conventional force reductions in Europe in the face of a recent "stiffening" of Soviet attitudes, Mr Douglas Hurd, the British Foreign Secretary, said here yesterday.

After a meeting of foreign and defence ministers from the nine countries of the Western European Union, Mr Hurd warned that progress in the Vienna talks had slowed and that it was "no longer so overwhelmingly probable" that a treaty between the 23 Warsaw Pact and Nato nations could be concluded in the autumn.

But he said Nato partners had to "harvest" the gains made in the talks so far. They could then tackle "imaginative decisions" about follow-up talks. The ministers yesterday discussed possible inter-European co-operation on means of verifying arms control agreements.

Mr Hurd welcomed the agreement to hold a first ministerial session of the "two plus four". talks on the future of Germany, between the two German governments and the four wartime allies, at the end of next week. "It is good news that the show is on the road," he said.

He added, however, that questions such as the future size of German armed forces would need to be discussed in a wider forum.

The WEU ministers skirted around a disagreement on the role of nuclear arms in Europe. A communiqúe reaffirmed the organisation's so-called Hague platform of 1987 but without specific reference to the platform's clear commitment to nuclear weapons.

The concept of multinational forces in the place of troops now stationed by different countries in West Germany was discussed, but without conclusions, and Britain and other members insisted that the US should be brought into the discussions. Mr Hurd said Nato, not the WEU, was the proper forum for this.

The ministers underlined in their communiqúe the need for a continued US and Canadian military presence in Europe.

● Foreign ministers from the two Germanys and the four World War Two allies will meet in Bonn on May 5 to discuss the security aspects of German unification, the West German Foreign Ministry said yesterday, Reuter reports from Bonn.

A spokesman said the talks would go ahead now Moscow had agreed to the date.

Brussels to unveil plan on investment firm backing

By Tim Dickson in Brussels

THE EC tomorrow unveils its long-awaited proposal on the capital backing of investment firms, after one of the most protracted drafting sagas in recent Brussels history.

The final text, reached after six attempts and 18 months of negotiation with member states, is meant to bridge the gulf between widely-differing UK and West German traditions, and advance the single European market in financial services.

It has been the subject of fierce lobbying by representatives of firms in the City.

EC officials believe they have found a formula to satisfy both sides, but know the issue will be fiercely debated in the Council of Ministers.

The new draft directive will be discussed for the first time in June. Progress is hoped for, simultaneous with a separate investment services directive during Italy's EC Presidency in the second half of this year.

A wide range of dealers, brokers, stockbrokers and investment managers will be covered by the new rules, which Brussels says are needed to provide a level playing field and complete the framework provided for banks by the EC's new solvency ratios.

Member-state supervisors will be able to exempt banks' trading departments from qualifying under these stricter solvency ratios and subject them to the more flexible capital adequacy requirements.

While this will require them to have less capital, they may have to show greater liquidity.

On the initial capital required for investment firms, the directive fixes three tiers: Ecu500,000, Ecu100,000, and Ecu50,000. Firms not holding customers' money or acting as market makers will qualify for the Ecu50,000 band.

Correction
Queen Fabiola

An article in the Financial Times of April 5 1990 referred to Fabiola, the wife of King Baudouin, the Belgian monarch, as Italian. She was, in fact, born in Spain.

Credit crunch seen as threat to global growth

By Andrew Marshall, Economics Staff

A WORLD credit crunch is threatening to slow economic growth, a leading forecasting group warned yesterday.

The warning came as West German bond yields rose in reaction to news of a one-to-one exchange rate for East German wages, pensions, and some savings into D-Marks.

German unification was picked out by the WEFA group, a leading international economic forecaster, as one reason for rising interest rates worldwide.

"The OECD countries are in danger of slowly drifting into a credit crunch as the monetary authorities are either tightening or are maintaining a tight monetary stance," according to the WEFA group. "While the risks of a full-blown world recession are still small, they have risen recently."

The Bundesbank has warned that it could be forced to tighten monetary policy if the wrong monetary union exchange rate is set.

Interest rates have also been forced up by fears about the rising inflation in the US, Japan and Britain. This has taken place "against a backdrop of a surprising lack of any obvious co-ordination among the monetary authorities of the Group of Seven countries," which met last month but failed to reach any substantive agreement.

Bonds have been falling, and yields rising, in most markets. Rising bond yields in the US last week helped to upset the stock market, which lost 2 per cent of its value. These were caused by poor figures for monthly inflation and fears that Japanese investors were retreating from the US bond market.

Aside from German unification, WEFA picks out four financial uncertainties:

- the impact of the deflation of the Japanese stock market and real estate bubble;
- the possibility of a credit squeeze resulting from the new capital requirements for banks and savings and loan institutions;
- the risk that foreign lenders will reject US capital markets as a result of creditworthiness concerns;
- the extent to which the growing need for capital from eastern Europe competes with existing drains on world savings.

Mr Milan Kucan (above), the Communist reformer and first freely elected president of the Yugoslavian republic of Slovenia, has turned in his party card for the four years he will be in office as a goodwill gesture toward his opponents, AP-DJ reports from Ljubljana. It was his first action after his victory became clear in Sunday's election, with partial returns giving him more than 58 per cent of votes. "I want to be the president of all ... citizens of Slovenia," said Mr Kucan, who is 49 and the son of a Protestant pastor.

Meanwhile, a nationalist party took a big lead over the ruling reform Communists in parliamentary elections in Croatia, according to unofficial partial results yesterday. The strongly separatist Croatian Democratic Union, led in 61 of the 105 areas where almost a fifth of the ballots had been counted from Sunday's vote.

Hurd prods Nato on troops pact

By David White in Brussels

NATO MUST redouble its efforts to secure a treaty this year on conventional force reductions in Europe in the face of a recent "stiffening" of Soviet attitudes, Mr Douglas Hurd, the British Foreign Secretary, said yesterday.

After a meeting in Brussels of foreign and defence ministers from the nine Western European Union countries, he warned that progress in the Vienna talks had slowed and that it was "no longer so overwhelmingly probable" that a treaty between the Warsaw Pact and Nato could be concluded in the autumn.

But Nato partners had to "harvest" the gains made in the talks so far. They could then tackle "imaginative decisions" about follow-up talks. The ministers yesterday discussed possible inter-European co-operation on means of verifying arms control agreements.

Mr Hurd welcomed the agreement to hold a first ministerial session of the "two plus four" talks on the future of Germany, between the two German governments and the four wartime allies, on May 5.

"It is good news that show is on the road," he said. But questions such as the size of German forces would need to be discussed in a wider forum.

Eta declares 'war' on Seville world fair

THE BASQUE terrorist organisation Eta has begun a desperate campaign to demonstrate its ability to strike at the hated Spanish state, writes Peter Bruce.

It has formally declared "war" on the World Exhibition planned in Seville in 1992, claiming in a published message on Sunday that it had sent a letter bomb which blew off the hands of an Expo functionary in the city last week.

Yesterday, another letter bomb, almost certainly the work of Eta, blew off the fingers of a prison official in Madrid. Earlier this month, Eta terrorists tried unsuccessfully to kill police guarding workers building a controversial highway between the Basque country and Navarra.

After publising its threat to attack the Expo in a sympathetic newspaper on Sunday, it can be assumed that Eta regards all events in Spain in 1992, including the Barcelona Olympic Games, as targets.

But Etathough a seasoned sender of exploding letters, has been forced exclusively into this lower level of terrorism for the time being by the discovery and rout, in just a few days at the start of this month, of probably its most effective commando.

Recovery forecast for Poland

By Christopher Bobinski in Gdansk

SIGNS OF economic recovery in Poland should begin to appear in the second half of this year, Mr Leszek Balcerowicz, the country's Deputy Premier told delegates to Solidarity's trade union congress here yesterday.

He was defending the Government's austerity programme, approved by the International Monetary Fund (IMF), which has brought monthly inflation rates down to single figures at the cost of a 30 per cent drop in industrial sales and a growing threat of unemployment.

Mr Balcerowicz, who spent an hour responding to delegates' questions, appealed to the 2m-strong union to co-operate with the Government "in realising the difficult programme of building a market economy."

He spoke as the congress completed elections to the 96-member national executive after re-electing Mr Lech Walesa by an overwhelming majority as the movement's chairman at the weekend.

Mr Balcerowicz said that, with inflation falling and the economy free of the widespread shortages of the past, recovery depended on the ability of factory managements to reduce costs and to learn how to market their goods.

However, he made no concessions on easing the rigours of the programme which Mr Jan Rulewski, the Solidarity leader in Bydgoszcz, a medium sized industrial centre, charged had "completely paralysed the economy."

Mr Rulewski said he knew of no factory in his region which had been able to adapt to the economic conditions created by the Government's policies, and he appealed for "a life-belt" for farmers who were facing bankruptcy.

Other delegates also questioned the Government's social and economic policies but the end of the session brought applause for Mr Balcerowicz's performance suggesting the movement is unwilling to mount a full challenge to the Government's programme.

Spanish town fights over its dying palms

By Peter Bruce in Elche

THE best way to kill a palm tree, they say in Elche, is to climb to the top and pour heavy fuel oil on the crown, where the youngest leaves sprout. This leaves no marks and the tree keeps quiet as it chokes to death.

The locals know about palms. A bustling footwear centre near Alicante on Spain's Costa Brava, Elche is also Europe's biggest palm grove.

The trees, though, are now either dying themselves, being killed or illegally uprooted as a low-level guerrilla war rages between a council determined to preserve them and local farmers and cultivators demanding the right to sell the trees or to get rid of them altogether.

European Diary

Spain

The tall, restful, palms have been the focus of attention in Elche ever since the Phoenicians, who came here more than 2,000 years ago, found the dates they had brought with them as animal feed were also sprouting near-perfect trees.

By the 13th century, date palms were so thick around the city they even held up the Christian re-conquest of Spain. A century ago there where still more than a million date palms in Elche.

But it was early in this century that the seeds of the Elche date palms' destruction were sown. The trees, once useful for what they produced, became desirable as ornaments.

The palms that line the streets of Cannes and Nice come from Elche. By the 1960s, Elche's palms were in great demand at new property developments, hotels or corporate headquarters in Spain.

But the market was for "instant palms" – big, mature, trees – and householders and farmers in Elche were only too happy to oblige.

Today a large date palm (*Phoenix dactylifera*) would cost about $1,500, which partly explains why there are only 200,000 (plus about 100,000 recently planted trees) left in Elche. "It is easy money," says the mayor, Mr Manuel Rodriguez. Or rather, it was easy money.

In 1986 a Palm Trust was set up by the regional government. Headed by the mayor it has strictly forbidden the uprooting and sale of any mature date palm even, as most of the trees are, from private property.

It is able to fine offenders and confiscate trees. Police mount special palm patrols at night and the trust has even recruited conscientious objectors, obliged to perform civic duties in place of military service, as vigilantes.

But if the money is not easy any more, it is still attractive. Ms Maria Rosa Verdu, a city councillor and member of the trust, says 10,000 mature trees were smuggled out of Elche last year.

The trust has begun about 40 court actions against local farmers and palm cultivators, one of whom, Mr Ambrosio Agullo, has charged it with the theft of trees it claims he had illegally uprooted and was trying to smuggle out of Elche on a truck. "What they are doing is unconstitutional," he said.

The cultivators (nursery owners) complain that by preventing the sale of palm trees, the council is sentencing the grove to death. If they cannot be sold, why have them? There is no more money in baskets and the dates are now good only for animal feed.

Many people, said Mr Agullo, have either poisoned or burned the palms on their land, and buried them to make way for other crops. "There are probably more palms under the ground than on top of it today," he said.

The cultivators have a point. The Elche date palms remain free of the "yellow palm" fungus that has ruined the Moroccan and Algerian groves, and new export markets for palms, like Florida and Saudi Arabia, are beginning to emerge.

But while it takes just one dark night to dig up a tree, it takes between seven and 10 years for a new palm to grow just one metre of trunk and the mayor is loathe to ease the restrictions.

"We have to protect the trees," he says. "If we let them pull the trees it would mean the end of the grove."

"But," says Mr Agullo, "no-one is planting any more." On a brief car ride through the grove it is depressing to see just how badly tended the trees are. Apart from the magnificent collection in the city park and the Huerta del Cura garden in Elche, most of the palms stand apparently abandoned.

"There must be more than one way (selling them) to save the trees," says the mayor. The city is buying up land planted with the trees and offering indirect subsidies to farmers with palms on their land to care for them.

A date palm liquor has been produced and the French are helping establish a research centre in Elche to study growing date palms *in vitro*.

But this is all slow stuff. "Last week," said Mr Agullo, "a ship arrived in Alicante with fifteen hundred palm trees from Egypt." That means that even Spanish buyers are having to look elsewhere for palms as the Elche restrictions begin to bite.

And imports would not have to kill the old Elche grove with fungus. Given the mood of the local landowners, simply usurping the market might be fatal enough.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.
Financial Times (Scandinavia), Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

WORLD TRADE NEWS

Integration still eludes Southern African trade

The message remains idealistic but frustration is growing on the ground, writes Mike Hall

THE COMPANY cooked Cape pilchards, canned them with a sauce made with Botswana-grown tomatoes and sold them to neighbouring Zimbabwe. It was a thriving business employing over 80 workers. But the plant closed last month because Zimbabwe suddenly declared the product did not meet the definition of "manufactured" under the trade agreement with Botswana, even though it allowed in the company's fish fingers.

There are other cases of Botswana businesses being killed off by what one senior official called Zimbabwe's "absurd rules" and, in southern Africa as a whole, numerous others which illustrate the difficulties of companies seeking to export in the region. Trade between southern African countries is only about 5 per cent of their total. And of that one country, Zimbabwe, accounts for 80 per cent.

Such frustrations, however, are unlikely to cast a shadow over the celebrations marking the tenth anniversary of the Southern African Development Co-ordination Conference (SADCC), the regional grouping launched on April 1 1980 with the objective of reducing trade and transport links with South Africa and increasing economic co-operation between member states.

Its officials will espouse goals for the 90s, including regional economic integration, more private enterprise in productive sectors and the imposition of a formal structure which would place legal obligations on member states.

The organisation's single most important achievement has been the creation of a "regional identity," gaining acceptance among member states and understanding abroad

But for many with experience on the ground, the rhetoric at SADCC's secretariat in Botswana's capital, Gaborone, rings hollow.

The organisation (which comprises Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe, now joined by newly independent Namibia) emerged from the political grouping of "frontline" southern African states.

The magnitude of southern African countries' economic and social crisis, and hence SADCC's challenge, stems from a double blow.

They face the same problems as the rest of sub-Saharan Africa, but over the last decade South African destabilisation in the region has caused the deaths of an estimated 1.5m of their people, displaced 4m others and cost their economies billions of dollars.

"Apart from the human suffering and misery," said a recent World Bank report, "the deaths of thousands of people, the rise in infant and child mortality, the stunted potential from famine and malnutrition and the lack of progress in – and in some cases the virtual disintegration of – education and health delivery systems have immeasurably set back development in southern Africa."

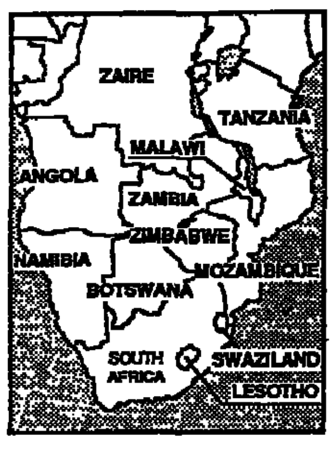
Regional politicians tend to stress South Africa's role. But SADCC is increasingly self-critical. One of its recent reports said the crisis has been characterised by, among others, "serious institutional and policy weaknesses and failures, including poor management of national affairs and low levels of public accountability in some cases."

The SADCC approach was based on individual projects which, over the last decade, have attracted over $3bn worth of aid.

Infrastructure – transport, communications and energy – have been the priorities. There were obvious common interests among members and attractions for donors with an eye on tied aid contracts.

Mr Emang Maphanyane, SADCC's chief economist, believes there have been significant achievements. He has estimated that about half of all trade now goes through SADCC ports, while telecommunications and power links have been developed and national airlines have better co-ordinated schedules and improved regional connections.

But other analysts believe that the costs have been substantial but with few benefits. Moreover, there has been relatively little impact overall on reducing SADCC's dependence on the regional power.



Indeed some countries, like Botswana, have strengthened ties with South Africa. Most members, except for Angola and Tanzania, still depend to a great extent on South African transport routes.

In addition they continue to trade extensively with South Africa. Remittances from migrant workers are still a significant source of revenue for some SADCC states and South African corporations still control key investments in most SADCC economies.

Mr Simba Makoni, a Zimbabwean and SADCC's executive secretary based at the organisation's headquarters in the Botswana capital of Gaborone, argues it is wrong to judge SADCC on its continuing links with South Africa.

It never was the intention to cut ties totally, he said, but to develop its own infrastructure and facilities where it was economically viable to do so.

He said the organisation's single most important achievement has been the creation of a "regional identity," gaining acceptance among members states and understanding abroad.

This may well be the case at a high political level. But as one diplomat put it: "When it comes to the whole range of functionaries - from trade officials to railway technicians - who are faced with an array of pressing problems, their perspective is often constrained by national boundaries."

Privately, aid donors are blunt about their assistance to SADCC. As one western official said: "Politically, it is a useful organisation for donors to say 'look what we're doing for southern Africa'. We pay lip service to it - and SADCC knows it. At the moment, regional integration is a pipe dream."

Mr Maphanyane, SADCC's economist, is hard-pressed to think of a single SADCC project based on production for the region, even though the "investment in production" strategy is more than four years old.

"The most we've done is stimulate debate," he says. "The political consensus has not been translated into practical action."

But SADCC increasingly acknowledges the problems. A recent report presses member governments to remove excessive controls, streamline bureaucratic procedures, change laws to reinforce individual rights, make fiscal and monetary reforms to reduce budget deficits and relax foreign exchange controls.

Officials at SADCC believe the need for change is ever more pressing as countries in other regions of the world move closer economically. Rapid political developments in the region - especially the prospect of an "acceptable" majority-ruled South Africa, which will automatically become a member - also pose new and larger challenges.

But observers say SADCC has done little thinking about the possible impact of a settlement in South Africa. It could well mean that South Africa's relatively large and sophisticated economy would dominate new investment and growth throughout the whole region, pushing SADCC into a peripheral role.

Mr Makoni, however, is confident that SADCC can work with a future South Africa. But present member states will need to integrate more closely to act as a counter-weight, he says. According to a recent SADCC report, it will mean far-reaching political and economic reforms, "to allow individual citizens the freedom to use their intellect and creativity to improve their own lives and consequently their societies and countries."

There are hopeful signs from some member states, but the goal of integration is still a long way off.

E Europe reform 'could add 10% to world trade'

By Andrew Marshall, Economics Staff

ECONOMIC reform in Eastern Europe could eventually add 10 per cent to world trade, but the pace of change will be limited by the speed of price reform and the creation of a satisfactory structure for foreign investment.

American Express Bank, in the lastest issue of its AMEX Bank Review, suggests that Eastern European countries' trade should in the very long term come into line with average per capita trade in the EC. This implies a tenfold increase in exports.

But the prospects for the next 5 years are limited by the low base from which exports start, the Review says. In the last five years, exports have grown by 2 per cent in real terms. With the aid of reform, Eastern Europe may be able to achieve 10-20 per cent a year export growth in real terms. After five years this would add 1-2.5 per cent to existing world trade, or between $31bn (£18bn) and $76bn.

Adding in the Soviet Union would double this, but the Review cautions that "the USSR's trade with the West is likely to grow relatively slowly, since it is dominated by raw materials, which probably cannot be increased as fast as manufactures."

There is limited room for the expansion of production to be financed by debt, the Review says. Debt burdens in Poland and Hungary are already high, and even where this is not the case, as in Czechoslovakia, there is an apparent reluctance to borrow. Banks will also be cautious in lending.

Trade finance will be one main financing route, but foreign investment will play the key role. It would bring management expertise, technology, and market disciplines.

Using Spain's campaign to attract investment as a model, the AMEX team estimates that Eastern Europe could attract $10bn-$14bn every year.

But, the report warns, "liberalised prices and a satisfactory legal and accountancy system are essential if the foreign investor is to be able to assess the value of the proposed investment and be able to manage effectively."

Assessing the reforms in Eastern Europe, the Review says that price liberalisation, and the pace at which it is undertaken, is the key element in creating a market based economy.

Poland's shock programme appears to be working, though there are indications of a deep recession developing over the next few months. Indeed, all the reforming countries will probably face recession in the near-term, the report warns.

Eastern European trade

RISE IN EXPORTS:	To OECD $bn	To OECD as % of world trade	To World $bn	To World as % of world trade
A 10% growth*				
Eastern Europe	13	0.4	31	1.0
Including USSR	29	0.9	65	2.0
B 20% growth*				
Eastern Europe	32	1.0	76	2.5
Including USSR	70	2.2	158	5.1

* Per annum, over 5 years.

Source: AMEX Bank Review

Mexico reluctant to join US, Canada trade area

MEXICO'S Trade Minister Jaime Serra Puche has ruled out joining a common market with the US and Canada, on the grounds that its economic sovereignty would be lost, Reuter reports from Mexico City.

"Mexico doesn't want a common market because we don't wish to, nor are we disposed to, concede this type of economic sovereignty that other countries which belong to a common market, such as the European one, have given up," the Trade Minister said.

But Mexico considered access to its northern neighbours' giant markets its top commercial priority.

It might be willing to negotiate a limited form of free-trade pact with the US and Canada at some date.

"Any type of free trade agreement would have to include strict fair-trading guarantees and allowances for Mexico's current inability to compete on an equal footing with its neighbours.

Visa to issue business card for Europe and Mideast

By David Barchard

VISA INTERNATIONAL, the association of banks issuing Visa credit cards, is to launch a business card for the first time in its Europe, Middle East and Africa Region.

The move seems aimed at taking part of the lucrative travel and entertainment card market from American Express – main provider of business card services in the region.

Visa said yesterday its business card, to be issued through its member banks, is designed to meet the needs of small companies and large corporations. It will offer travel and emergency services comparable to those from American Express. Companies will be able to put their name on the card's face. A reporting system will enable companies to monitor its use, including unusual spending.

Visa's aim to enter the business-traveller market reflects the banks' desire to reclaim business from American Express and the belief that plastic-card services to business travellers are likely to grow over the next decade.

At present, only 10 per cent of company employees hold company credit cards. The potential market for business cards in Europe, the Middle East and Africa is estimated at over $150bn (£88bn) - $23bn of it in the UK.

Airbus deal for Aeritalia

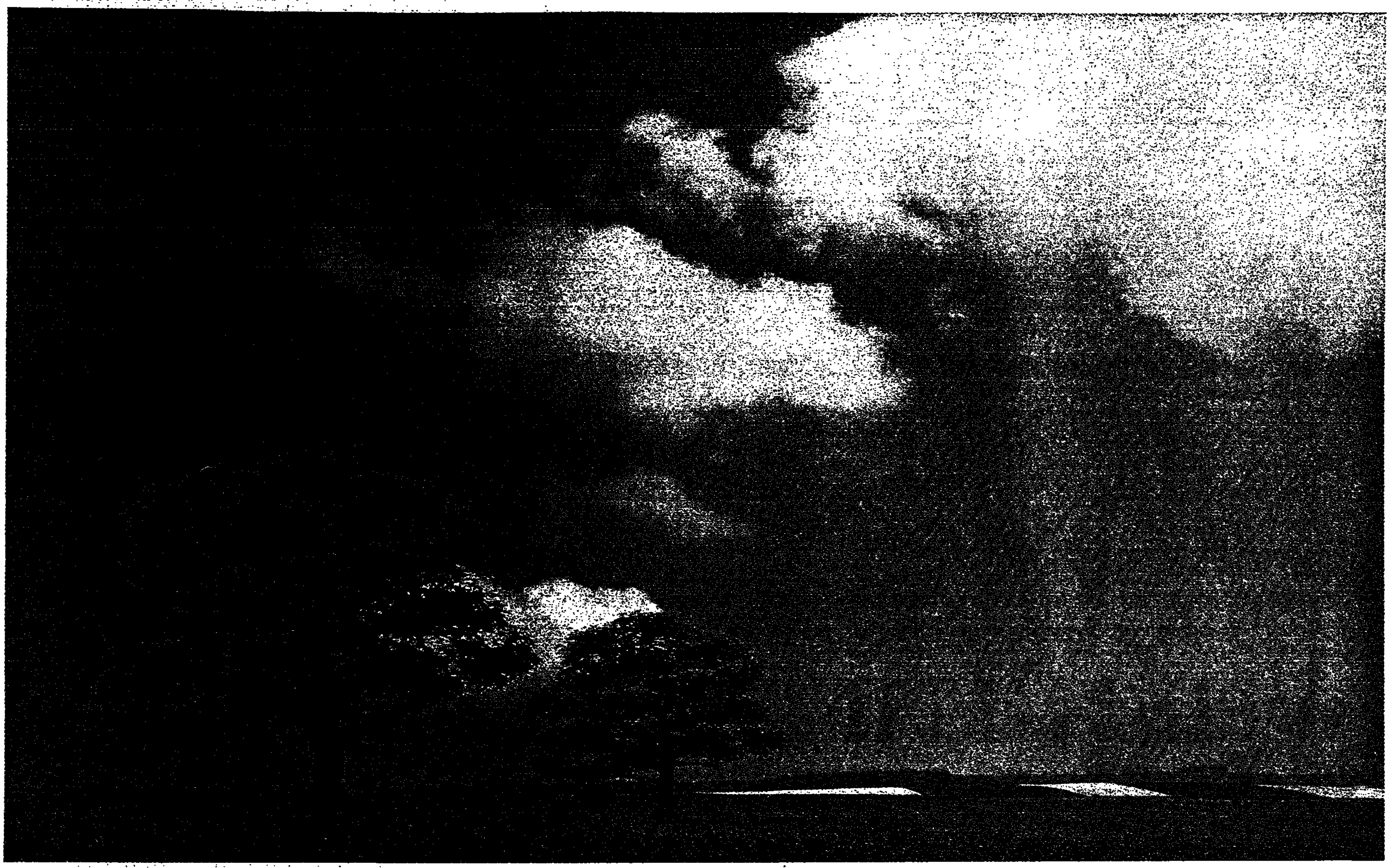
By Paul Abrahams

AERITALIA, the Italian aerospace company, has won its first full contract from Airbus Industrie, the European four-nation manufacturer.

The deal is worth about $100m (£60m) over 10 years. Aeritalia will design and build a section of the new Airbus A321, which enters service in 1994.

The Italian company will build part of the front fuselage, representing about 2 per cent of the aircraft. The group has previously only been a subcontractor for the consortium.

Airbus' decision to offer the contract to Aeritalia follows an initiative at the company to cut costs by providing open bidding for contracts from external companies and competitive bidding for new projects among existing consortium partners.



Washington gesture urged after hostage freed

By Tony Walker in Damascus and Kamran Fazel in Tehran

IRAN and its supporters in Lebanon yesterday called for a reciprocal gesture from the US for the freeing on Sunday of an American hostage amid fresh talk of the imminent release of a second hostage.

Mr Hussein Mousawi, a senior member of Hizbollah, the umbrella organisation for pro-Iranian extremist groups in Lebanon, said a second hostage release was possible, but he made it clear that the kidnappers were expecting a goodwill gesture in return.

"There should be something in return for such a step," Mr Mousawi told the Communist radio station, Voice of the People.

The Hizbollah leader appeared to be echoing comments made earlier by Mr Ali Akbar Velayati, Iran's Foreign Minister, who said in New York that Iran and Shia movements in Lebanon wanted a prompt reciprocal gesture.

Mr Velayati referred to the continued detention in Israel of Sheikh Abdul Karim Obeid, the Lebanese Shia clergyman, who was abducted by Israeli commandos last July.

The Tehran Times newspaper, which has been campaigning for a resolution of the hostage crisis, also appeared to raise the issue of reciprocity. It said in an editorial that another hostage should be freed to test President Bush's claim that "goodwill begets goodwill".

Mr Bush said on Sunday that he would make no gestures toward the kidnappers and their sponsors until all the hostages were free.

However, the President earlier personally expressed his gratitude for Iran's help in securing Mr Robert Polhill's freedom. In a written message, Mr Bush thanked "those who had a hand in the release, particularly the governments of Syria and Iran whose efforts have contributed to the release of this hostage".

As many as 16 Westerners are still believed to be held hostage in Lebanon, including seven Americans, the four Britons, two Swiss, two West Germans, and an Italian.

In spite of the intense focus of attention on the hostage issue, no word has been heard of the four Britons who are listed among those being held captive in Lebanon, including Mr Terry Waite, the Anglican church envoy.

Mr Terry Waite was kidnapped on January 20, 1987, while on a mission to try to secure the release of hostages. No word has been heard of him since.

Meanwhile, the 55-year-old Mr Polhill arrived at the US base at Wiesbaden in West Germany yesterday for debriefing and medical checks following his release by the Islamic Jihad for the Liberation of Palestine after three years in captivity.

Bush manages to tread carefully in diplomatic minefield

By Lionel Barber in Washington

THE RELEASE of Mr Robert Polhill, the American hostage held captive for three years in Lebanon, follows intense behind-the-scenes contacts lasting several months between the US and Iran.

It is a game of nods and winks, feints and gestures which began on the day President George Bush took office, in January 1989. "Goodwill begets goodwill," he said in his inaugural address.

Since then, Washington's public message has been clear: if the Iranians want better relations, they must secure the unconditional release of all American hostages. This has been conveyed over the last few months through Swiss and Japanese diplomats.

Yet other moves suggest a less consistent tune. Last year, for example, the US consented to repay $567m (£336m) in frozen Iranian assets after two days of negotiations. Thus while there may not be an explicit *quid pro quo*, the Administration has indicated that it is prepared to look kindly upon Iran's own demands: an end to the trade embargo, the unfreezing of assets, and an end to diplomatic isolation.

The problem for Mr Bush is how to hold the line in the emotional heat of the moment, when pictures of a gaunt American hostage appear on millions of television screens and the familiar calls begin for some new gesture to speed the release of the remaining Americans.

Congressman Lee Hamilton, a Democrat known for his caution and level-headedness, turned up the pressure on Mr Bush yesterday, saying: "It's establishing a dialogue that's critical. There are a lot of things that could be done here, short of aid, short of normalisation, short of credits."

So far Mr Bush has held the line. He rejected the kidnappers' demand that Mr John Kelly, the top State Department diplomat responsible for the Middle East, go to Damascus to receive the hostage. Apparently, the Administration viewed such a move as a prelude to negotiations on the remaining hostages. By refusing to budge on the Kelly mission, the Administration intended to send a clear message to Tehran: there is little point in holding up the release of hostages in the hope of securing a higher future price. The Iran-Contra affair may, ironically, help the administration's case.

Washington can argue that the trauma caused by revelations that President Reagan sold arms to Iran in exchange for hostages makes it imperative that the Administration avoids any appearance of dealing with Tehran.

Mr Bush delivered his lines perfectly last Sunday after speaking with Mr Polhill by telephone. "I'm not making gestures. I don't trade for hostages. This is mission uncompleted. I do not have forgiveness in my heart as long as one American is held against his will."

Nevertheless, it seems fair to suggest that Mr Bush would like to do something, at some stage, to bolster the fortunes of moderate factions in Tehran.

Spring thaw in prospect for US-Iran relations

Tony Walker on Tehran's overture to Washington

WHEN the kidnapped American Robert Polhill emerged, pale and gaunt, in Damascus on Sunday night his release signaled much more than simply the end of one hostage saga.

Iran's conspicuous involvement in the freeing of Mr Polhill seems to presage more progress in securing the release of the 17 Westerners who are still believed to be held hostage in Lebanon.

The episode has also brought within sight the possibility of a genuine start being made on thawing relations between Iran and the US after more than a decade of hostility.

How quickly that process develops depends, as President George Bush made clear, on further progress in freeing the seven remaining American hostages in Lebanon.

But in the minds of Western officials in Damascus there is no doubt that Iran's President Ali Akbar Hashemi Rafsanjani has made an emphatic gesture towards the West in general, and the US in particular.

"It does seem to be an overture to the US," said a Western observer. "It will be interesting to see whether Rafsanjani can carry it off in the face of internal opposition in Tehran. But he must have felt his position was solid enough to come out into the open on this."

Rafsanjani: pressing ahead

The effort expended so far this year by Mr Rafsanjani and his supporters on securing the release of one American hostage is a measure of the importance he attaches to reducing Iran's isolation. Since early this year the Iranian President's representatives – including his brother – have been exerting pressure on the hostage-takers.

All this activity behind the scenes coincided with an increasingly forceful campaign waged in the Tehran Times newspaper, which strongly reflects Mr Rafsanjani's views, for the release of the Western hostages.

The measure of the opposition facing Mr Rafsanjani was reflected last month in the strong negative reaction among a majority of Iranian parliamentarians to reports of secret contacts with the US on the release of hostages.

More than 170 deputies of Iran's *majlis* backed a statement urging the Foreign Ministry to distance itself from the hostage issue.

Mr Ali Akbar Mohtashemi, the hardline former Interior Minister who has strong links with Lebanese extremists, has also spoken recently against releasing the hostages in Lebanon.

But in spite of all this, Mr Rafsanjani is clearly intent on pressing ahead, although the difficulties both the Syrians and the Iranians faced in extracting Mr Polhill from his captors over the weekend underscore the scale of the problem.

Iran has described the release of one of the Americans as a "goodwill gesture." The clear implication is that Tehran would expect a reciprocal move beyond the words of thanks offered so far.

Indeed, Mr Ali Akbar Velayati, Iran's Foreign Minister, has called for a prompt gesture from the US and its ally, Israel. He specified the release of Sheikh Abdul Karim Obeid, a Lebanese Shia clergyman abducted by Israeli commandos last July.

The Tehran Times, in an editorial welcoming the release of Mr Polhill, suggested that the freeing of Lebanese prisoners in Israel would facilitate further progress on the hostages in Lebanon.

One of the challenges for US diplomacy in this delicate period will be to continue to encourage the process without appearing to be engaged in blatant horse-trading.

"I want all those hostages out, but we're not going to trade," Mr Bush said. But, in the Middle East, as one observer put it, "you don't get something for nothing."

Washington is also likely to face the problem of restraining some of Israel's more aggressive impulses. Israel's raid on Lebanon last Friday in which six Shia Moslem guerrillas were killed was cited by the group holding Mr Polhill as one of the reasons for its reluctance to yield its captive.

Syria itself has every reason to be satisfied with its role in the hostage release. Not only did it demonstrate its ability to help on a humanitarian issue, but it was conspicuously engaged as a go-between in contacts between the hostages and Iran on one hand and the US on the other.

President Hafez al-Assad has reaped something of a diplomatic windfall. Syria has reaffirmed its position in Lebanon, it has demonstrated that its continued links with Tehran have a diplomatic benefit and it has put the US to a degree in its debt.

Damascus may even harbour hopes that the US will lift its terrorist listing, thereby opening the way for the resumption of the supply of commodities under preferential credit terms.

All this would be reason for self-congratulation in the Syrian hierarchy, especially at a time when Syria's Arab rival, Iraq, is facing the wrath of the West over a series of revelations about its attempts to procure an even more substantial arsenal of weapons of mass destruction.

The hostage episode has also shown that under President Rafsanjani, Damascus and Tehran "can do business," especially on the complex issue of Lebanon where Iran and Syria back rival Shia Moslem groups.

Peres prepares to abandon search for 'peace' coalition

By Hugh Carnegy in Jerusalem

LEADERS of Israel's Labour Party conceded yesterday that the month-long struggle by Mr Shimon Peres to form a government committed to peace talks with the Palestinians appeared doomed.

With Mr Peres's extended mandate from President Chaim Herzog due to expire on Thursday, senior party figures acknowledged that Mr Yitzhak Shamir, the incumbent Prime Minister and leader of the Likud party, was succeeding in blocking Labour's attempts to win majority support in the 120-seat Knesset (parliament).

"The situation is pretty clear. It seems that we are unable to form a government," said Mr Chaim Ramon, leader of Labour's Knesset caucus and a close aide to Mr Peres. "The mandate will probably be transferred to Mr Shamir's hands. We should accept this unpleasant fact," he told a radio interviewer.

Weeks of brazen political bartering – unprecedented even by the fraught standards of Israeli power broking – had left Mr Peres with support from a maximum of 60 Knesset members. His hopes of at least securing an abstention among the other 60 ebbed away when Shas, an ultra-orthodox religious party which helped him defeat Mr Shamir in a no-confidence vote in mid-March, agreed on Sunday night to support Likud.

Such has been the see-sawing of support by small Knesset factions in the past few weeks that last-minute changes were not ruled out. But Labour has not previously expressed such pessimism. If Mr Peres does fail, his 13-year leadership of Labour is bound to be brought into question.

Babangida is back in full control

By William Keeling in Lagos

THE government of President Ibrahim Babangida has resumed full authority after Sunday's failed coup attempt. Tanks were still in evidence in parts of the city, but shops in the capital were open for business. Lagos airport is closed to international flights, but these were expected to resume today or tomorrow.

In a television interview late on Sunday, President Babangida described the dissidents as falling mostly within the ranks of major, lieutenant and second lieutenant. He said Dodan Barracks, the government headquarters, had been "under very heavy bombardment". The exact number of casualties is not yet known.

The barracks in the suburb of Ikeja, where the coup leader, Major Gideon Oka, is believed to have been stationed, was also the scene of heavy fighting. In the north of the country, the atmosphere was tense but quiet.

Sudanese troops crush coup attempt

By Julian Ozanne

SOLDIERS exchanged gunfire in the Sudanese capital of Khartoum yesterday as loyalist forces crushed an attempted coup led by junior officers against the country's ruling military junta.

In a midday broadcast on state-run Radio Omdurman, President Omar Hassan Ahmed el-Bashir said that the Government was fully in control of Khartoum and that the insurgents, including retired army officers who led the coup, had been arrested.

The retired military men were later identified by the Government as Maj-Gen Abdul Kader al-Kadro, former chief of the artillery corp, and Brigadier Mohamed Osman Hamed Karar, former governor of the Eastern Region.

The abortive coup, he added, had been masterminded by "the alliance in coalition with the outlaws", a reference to the banned political parties and the rebel Sudan People's Liberation Front.

Arrests prompt strike at Hyundai Heavy Industries

By John Ridding in Seoul

HYUNDAI Heavy Industries, South Korea's largest shipbuilder, faces a strike after workers voted for a work stoppage over the arrest of several of trade union leaders.

The strike, which is scheduled to begin tomorrow, will be the largest so far this year, and threatens to disrupt the relative peace of the current wage bargaining round. Over the last three years South Korea's economy has been badly affected by industrial unrest.

Workers' representatives at Hyundai Heavy Industries, which is part of the Hyundai Group, Korea's second largest conglomerate, decided to strike following the arrest on Friday of Mr Woo Ki Hah, the union vice chairman. Mr Woo was standing in for Mr Lee Young Hyun, the union chairman who was himself arrested in February on the charge of organising an illegal work slowdown.

Hyundai's union said yesterday that it will go ahead with the strike unless the charges against the union leaders are dropped and the company apologises for the incident.

A spokesman for the Federation of Korean Trade Unions said that the arrests reflected the Government's tougher stance on industrial relations. Leaders of several other trade unions have been detained for industrial actions deemed illegal under South Korea's trade union laws.

Hyundai said yesterday that the threatened strike would also be illegal because the union has not given the required 15 days notice to the Labour Ministry. However, the company expressed hope that the strike could be averted.

So far the Government's tougher industrial relations policy has been successful. The number of labour disputes in the first quarter fell by almost 80 per cent over the same period last year and pay increases averaged 7 per cent compared with 15.5 per cent in the first three months of 1989.

An analyst at the Korea Labour Institute said that the industrial peace also reflected a loss of public support for strikes and high wage claims because of a slowdown in Korea's economic growth rate and a fall in exports.

Political tempo builds up in Hong Kong

By John Elliott in Hong Kong

MORE THAN 16 months before its first direct elections, Hong Kong has suddenly been hit by a rash of party political activity as business, trade union and other interests form parties which are broadly aligned according to the colony's two main policy issues of the speed of democratic reform and attitudes towards Peking.

Yesterday, Mr Martin Lee, the colony's arch opponent of Peking, inaugurated a liberal party and toned down his own firebrand image when he stated that the party would steer clear of China's internal affairs and concentrate on Hong Kong's own issues. This significant change of personal stance is aimed at winning acceptance among Hong Kong's population which is nervous of upsetting Peking in the run-up to China's 1997 resumption of sovereignty.

At exactly the same moment in another hall a few yards away, Mr Jimmy McGregor, an ex-civil servant and founder of another liberal party, was being implicitly censured by the right-wing governing committee of the powerful General Chamber of Commerce. He represents the chamber (where he used to be the director) on the existing Legislative Council, but has become too political and has advocated too much democracy for big business to stomach.

From the other end of the spectrum, the pro-Peking Hong Kong Federation of Trade Unions raised the spectre of Communists winning votes when it announced on Sunday that it would be actively involved in the elections, backing candidates through its 82 member unions.

For a colony which (according to the British Government) has never had any interest or time for politics, Hong Kong is building up the electoral tempo amazingly fast. The target is polls in September next year for the legislative council when 18 out of 60 seats will be directly elected from nine new constituencies. At present all the council members are indirectly elected or appointed.

Significantly after the turmoil of Peking's Tiananmen Square crisis, all the parties accept the reality of what 1997 means in terms of taking China into account.

This led Mr Lee to say yesterday that his party would concern itself with Chinese affairs "only when they affect Hong Kong". For example, he said: "We will argue for Peking to give more democracy in Hong Kong's Basic Law, but we will not talk about human rights in Tibet." Mr Lee's party has been born out of a virulently anti-Peking, pro-democracy alliance that organised mass demonstrations in Hong Kong last year. Many leading members belong to both bodies.

But Mr Lee and others, who have been condemned by Peking, recognise the need to cut some formal ties with the past if they are to have a political future – though that might not stop them joining alliance demonstrations.

They are consequently likely to step down at the alliance's general meeting in June. The official reason was given by Mr Yeung Sum, a vice-chairman of both bodies: "Some of us might be too busy to stay on the alliance body."

The chamber of commerce row is important because it exposes a split in the business community on the pace of democratic reform. Mr McGregor broadly speaks for smaller businessmen who, he says, want faster democracy.

But the bigger business interests do not agree. They are represented by an organisation called the Group of 89 whose convener is Mr Vincent Lo, heir apparent to the chamber's chairmanship. With Mr Lo's help, this group is soon to form its own right-wing political party. Mr Helmut Sohmen, the current chamber chairman who runs Sir Yue Kong Pao's shipping empire, publicly rebuked Mr McGregor yesterday. But Mr McGregor replied that he would "continue to speak on political matters from conviction and conscience".

The emergence of the pro-China trade union federation was generally expected. Yesterday the federation flexed its muscles by warning that the government's budget proposals for increased indirect taxation could cause "social unrest".

That exposes another policy issue that will gradually emerge – how to pay for increased social spending that liberals are likely to demand as democracy expands. Along with Peking, right-wing businessmen oppose such social policies because they could end Hong Kong's low-tax regime – and that is one of the reasons the businessmen resist democracy.

But whatever divides the different groups on democracy, they all unite behind the word itself. While Mr Lee's group is called the United Democrats, Mr McGregor's is the Democratic Foundation and the right-wing businessmen's party – much to most people's amazement – is to be the Liberal Democratic Federation.

Singh transfers telecoms minister

By David Housego in New Delhi

INDIA'S telecommunications minister was changed yesterday in a cabinet reshuffle that demonstrated the continuing difficulties faced by Prime Minister V.P. Singh in broadening his administration.

Mr K.P. Unnikrishnan who had engaged in a highly publicised campaign against the telecommunications policy of the former government lost his portfolio. The move seems likely to pave the way for a compromise over the choice of digital switching equipment for India's main urban telephone exchanges between Mr Sam Pitroda's Indian developed C-DOT technology and the Alcatel-supplied E10B exchanges.

Apart from the departure of Mr Unnikrishnan's the big significance of the reshuffle was to underline the failure of Mr Singh's Janata Dal party to recruit new allies who would give more substance to the minority administration. Neither the Hindu militant BJP party nor the Marxists – which both the support the Government in parliament – have accepted ministerial posts.

The reshuffle – the first since Mr Singh took office five months ago – brings into the Government 17 new members of whom all but two are junior or deputy ministers. The Prime Minister's main aim was to reduce the work load on colleagues who had more than one portfolio. But he has also used the cabinet expansion to give the Government a wider geographical representation.

Mr Singh was seen yesterday however to have ducked many of the difficult decisions that faced him. He has not replaced Mr Mufti Mohammad Sayeed, the Home Minister, whose indecisiveness over Kashmir and the Punjab has contributed to the Government's image of drift. He did not fill the Defence portfolio which he continues to hold himself and he has left Mr Mohammad Arif Khan, holding the two ministries of Energy and Civil Aviation – notwithstanding the mishandling of the Airbus A320 grounding.

Kathmandu police open fire on demonstrators

By K.K. Sharma in New Delhi

KATHMANDU and other Nepalese towns were affected by unruly demonstrations yesterday, just a few days after the first multi-party government in 30 years took office. Mobs trying to stop supporters of the monarch from reversing the move towards democracy, clashed frequently with police.

Police opened fire on demonstrations by such mobs, which have been beating up some members of the dissolved *panchayat* (assembly), in several parts of Kathmandu yesterday. Unconfirmed reports said that at least seven people were killed and more than 70 injured.

At one stage, Mr Yog Prasad Upadhyaya, the new Minister for Home Affairs, and Mr Hem Bahadur Singh, the chief of police, were surrounded by the demonstrators. They were released when the Home Minister assured the people that the police chief was personally to take control of the situation.

The demonstrations are expected to force the new all-party coalition government led by Mr Krishana Prasad Bhattarai, quickly to revamp the constitution so that free elections can be held as soon as possible.

Mr Bhattarai has promised to hold elections within a year but the continuing unrest in Kathmandu could force the pace for change. At present, there is no move for abdication of King Birendra and the aim of the government remains to make him a constitutional monarch.

China reopens border area to tourists

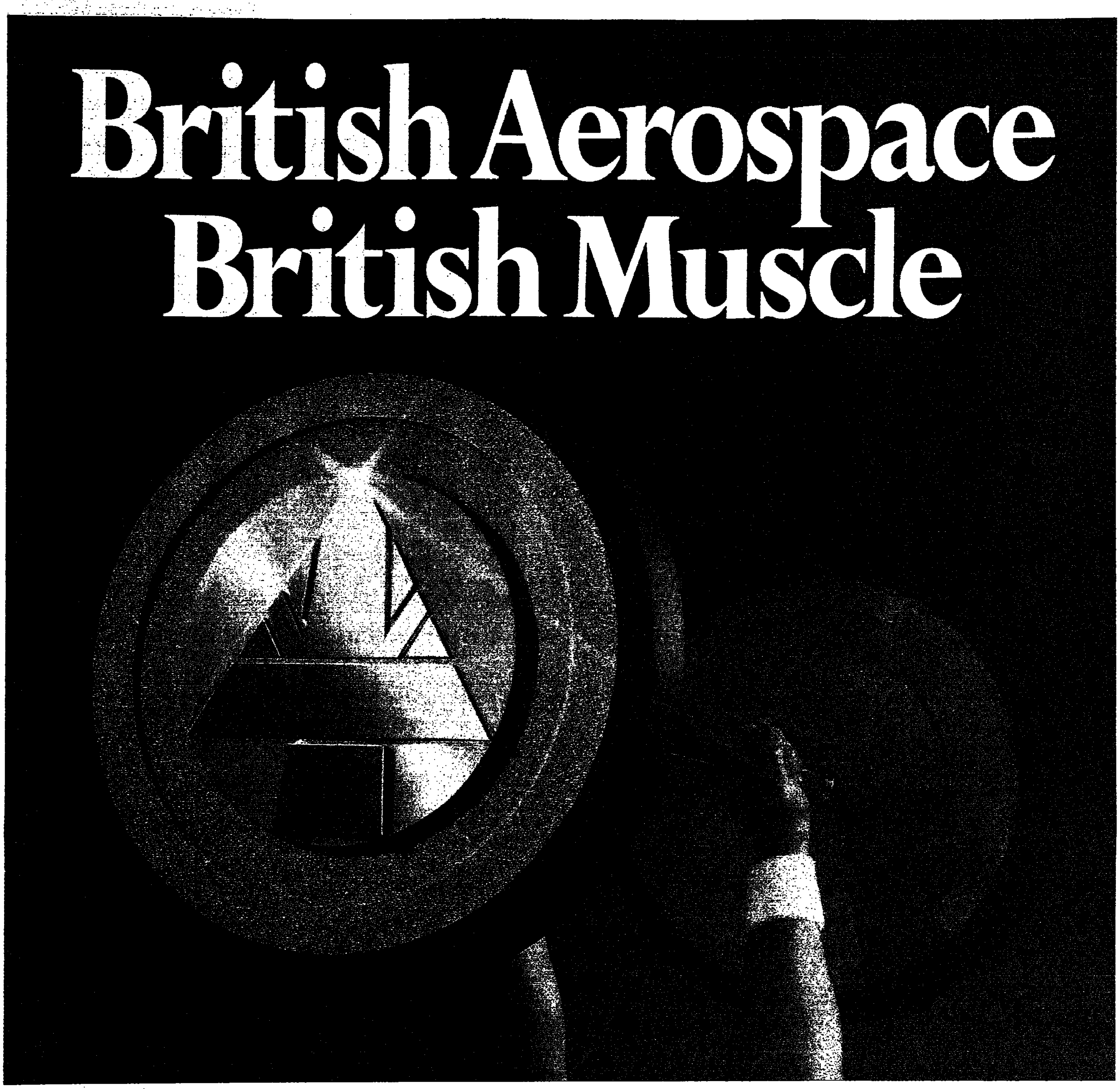
By Colina MacDougall

CHINA yesterday declared that the far western corner of Xinjiang, the huge region bordering the Soviet Union, had reopened to foreign tourists after nearly three weeks of closure after what now appears to have been serious trouble.

According to official Xinjiang television on Sunday, rebels had formed Islamic death squads, part of a previously unknown organisation, the Islamic Party of East Turkestan. "This gang, under the banner of religion, incited a religious craze and wildly proclaimed the launching of a sacred war to eliminate the heathens", the TV station said.

The armed revolt was sparked among the Kirghiz people in the town of Baren, near Kashgar, on China's historic Silk Route, on April 5 and 6, and led to the deaths of 15 rebels, six policemen and one official. Earlier this month foreign travellers quoted locals as saying that new identity cards and restrictions on building a mosque had sparked the unrest.

Citizens of Charleville in Queensland sit on a roof awaiting evacuation after their town and much of the Australian Outback were devastated by the worst flooding for a century. Three people have been reported killed and 20 are missing



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Israel maintains grip on southern Lebanon

Lara Marlowe assesses the impact of the Israeli occupation on daily life in the south

Regulations imposed by the Israelis in southern Lebanon have created a novel form of employment. In hilltop villages like Marjayoum, the seat of Israeli administrative and military power in southern Lebanon, poor people stand by the roadsides holding handmade signs which offer their services as passengers.

To discourage suicide car bombers from attacking their convoys or installations, the Israelis and their allies in the South Lebanon Army (SLA) militia do not allow anyone to drive alone inside Israel's self-declared security zone, hence the freelance "passengers".

Within the past year all vehicle owners in the region have also been required to purchase new number plates. The first three digits of the plates indicate the owner's home village. Drivers pay $10 every six months for the plates.

Israeli flags fly over the handful of Israeli military compounds which are manned by 1,000 Israeli soldiers in southern Lebanon. The Israelis are assisted by at least 2,000 militiamen from General Antoine Lahad's mainly Maronite Christian SLA.

The 5,900-strong United Nations interim force in Lebanon (Unifil), like the Lebanese whose villages it is trying to protect, now has stronger economic links with Israel than with the Lebanese Government in Beirut.

The SLA taxes all goods entering the Israeli-controlled enclave through its port at Naqoura and at road checkpoints. Residents of the Israeli-controlled zone must obtain permits from the civil administration to travel through the area. The pink travel documents are printed in Hebrew, but the Lebanese fill them out in Arabic. Some 3,000 local Lebanese commute to work in Israel every day.

Lebanese Shia schoolgirls walk past an Israeli tank in occupied south Lebanon.

The SLA clerks use their power to issue travel documents as a form of political pressure, withholding permits from those suspected of sympathising with guerrilla resistance movements.

But fear remains the greatest deterrent to anti-Israeli activity. With approximately 350 internees, Khiam prison, a former French colonial fortress that is visible from Marjayoum, is a constant reminder to the Lebanese inhabitants of the "security zone."

There is hardly a family in southern Lebanon which has not had someone detained there without trial, some for up to five years. Men and women are "arrested" by plain clothes armed SLA men who arrive in Mercedes cars.

For the past two years, the families of Khiam prisoners have been denied visiting rights. The International Red Cross has been refused permission to enter the prison. Former detainees tell of beatings, torture and appalling sanitary conditions.

The SLA militia also press-gangs young men into service and collects protection money from businesses in the region. Villages which have accepted SLA administration, sometimes receive water, electricity and road work assistance from Israel in exchange for their compliance.

Israeli efforts to install sympathetic "civil administrations" in the villages of the security zone have convinced many Lebanese that Israel intends to annex this forgotten occupied territory, just as it annexed the Syrian Golan Heights in 1981 by decision of the Israeli Knesset.

But despite the presence of nearly 6,000 UN troops, the Israeli defence force and the SLA, the security zone is far from secure. There are an average 30 monthly attacks against SLA and Israeli targets. Every day, the sound of machine gun or shell fire echoes through the deceptively beautiful hills of south Lebanon.

In the western, Mediterranean, side of the Israeli-occupied zone, attacks are usually the work of the Shia Moslem Amal militia and Palestinian groups who have infiltrated south from the refugee camps of Rashidiyeh, near Tyre, and Ein Helwe in Sidon.

In exchange for recent assistance to Amal in the nationalist militia's war with the more radical pro-Iranian Hizbollah, Palestinians are being given a freer hand in southern Lebanon. In an attempt to halt incursions into the south by Hizbollah, which is believed to hold most of the western hostages in Lebanon, the UN has recently allowed Amal to set up armed check-points within Unifil areas.

For its part, the pro-Israeli SLA has launched a new campaign of intimidation in the western part of the Israeli enclave. "The SLA is kidnapping anyone in the villages," a UN officer said. "Usually they let them go after a day or two, but it is creating a lot of friction. They want to frighten people, to make them obey their rule."

In the more mountainous, inland area to the east, most attacks are carried out by the Lebanese Communist Party. "The communists are becoming more professional," an officer in the UN's Norwegian battalion said. "In the beginning, the LCP men we caught were wearing jeans and jackets. But lately they have been wearing uniforms."

Conflicts between the various groups fighting the Israelis have claimed more victims than has the guerrilla war against the Israelis. "But the anti-Israeli attacks are necessary for propaganda on both sides", the Norwegian officer said. "The Israelis need them to justify their deployment in southern Lebanon. The 'resistance' groups need them to justify their existence and provide a common cause."

Kuwait to reintroduce a form of parliament

THE EMIR of Kuwait has ordered the restoration of a national assembly in response to widespread demands for a return of parliament in the Gulf state, but former deputies objected it would have too many appointed members, Reuter reports from Cairo.

The Emir, Sheikh Jaber al-Ahmed al-Sabah, said on state radio and television late on Sunday that the new assembly's main function was to evaluate Kuwait's previous parliamentary record.

Kuwait's parliament, the only elected assembly in the Gulf Arab states, was dissolved by the Emir in 1986, citing threats against the unity of Kuwait and its integrity at the height of the Gulf war between neighbours Iran and Iraq.

"I have issued an Emiri decree to set up a national assembly to serve during an interim period to evaluate our parliamentary experience," the Emir said.

The assembly would have 50 members elected by secret ballot and 25 government appointees, including an unspecified number of cabinet ministers. It would convene in October for a four-year term.

The Emir said the new assembly's priority task was to "study the negative elements which prevented the maintenance of co-operation between the legislative and executive authorities," a reference to rows with parliament over what the government termed its excesses in criticising ministers and its divisive debates.

The decree issued by the Emir said the new assembly would propose "rules and regulations that would ensure maintenance of stability and national unity in line with the spirit of Islamic Sharia law and the principle of the one Kuwaiti family."

The assembly would have power to question ministers and debate the budget and proposed legislation, but leaves the final say on any issue in the hands of the Emir.

Some pro-democracy activists who have been calling for a return of parliament, once the liveliest in the Arab world, criticised the decree.

Indian Government allows curfew break in Kashmir

THE INDIAN Government allowed a long curfew break in the Kashmir Valley for the first time in three weeks yesterday as part of plans to restore some semblance of normal life, Reuter reports from Srinagar.

Unlike previous breaks in the curfew, which has been in place since mid-January, there were no immediate reports of attacks on security forces by Moslem insurgents fighting to be rid of Indian rule.

Indian Home Minister Mufti Mohammed Sayeed announced in Srinagar, summer capital of Jammu and Kashmir state, on Sunday that business-hours curfew breaks would be permitted daily in a first step towards restoring normal life.

He said schools and colleges, would start opening again on May 7.

At least 300 people have been killed in the insurgency in India's only Moslem-majority state this year.

Delhi has accused Pakistan of fomenting the insurgency, a charge Islamabad denies. An almost daily exchange of hot words over divided Kashmir, the cause of two of the three wars between the countries, has led to fears of a fourth.

Although there were no apparent attacks on security forces, the militants were still active. A young Hindu, Susheel Kachroo, was shot dead by suspected militants in Srinagar. No one claimed responsibility.

Paramilitary police reimposed the curfew in the immediate vicinity and conducted house to house searches in a failed attempt to capture the gunmen, officials said.

Indian security forces have used the curfew over the past three weeks to conduct widespread house-to-house searches for militants Delhi alleges were trained in the one-third of Kashmir that Islamabad controls.

Hundreds of people have been detained in the searches. The hunt continued on Monday despite Mr Sayeed's gestures and officials said 87 people were detained.

Many shops opened in Srinagar but there were few customers, as many people had run out of money.

The only long queues were at heavily guarded banks. Every customer was frisked before entering and security men watched keenly from sandbagged positions.

Splits develop in Argentina over pay for military

By Gary Mead in Buenos Aires

A SERIOUS split has emerged in Argentina's Peronist government over military salaries.

Under pressure from senior officers, Mr Humberto Romero, Defence Minister, has called for a general increase of 170 per cent, against a maximum offer of 40 per cent by Mr Antonio Erman Gonzalez, Economy Minister.

President Carlos Menem is also facing growing pressure from public sector trade unions. Mr Menem's offer of wage increases equivalent to April's rate of inflation (likely to be 15 per cent), plus 10 per cent, will be opposed.

Large contingents of the army staged three mutinies in 1987-88, partly at over wages. Although most of the leaders have now been forcibly retired from the military, they retain a considerable following in the rank and file.

The Government is struggling to maintain the small fiscal surplus (fluctuating between the equivalent of \$10m-\$50m monthly) it has *achieved in the last few* months. This is in an effort to persuade the International Monetary Fund to unblock a stand-by credit of \$1.4bn suspended early this year after agreed economic targets had collapsed.

The IMF is monitoring Argentina's economic performance and is unlikely to renew the suspended loan before the end of May.

While Argentina's foreign currency reserves may now be as high as \$1bn, that is intended for central bank intervention in the financial markets to maintain the recently stable exchange rates. The fund is in theory not available to back a generalised wage increase far in excess of April's relatively low inflation rate.

President Menem is thus caught between an external pressure to maintain and tighten his grip over government spending and an internal pressure from disgruntled officers to grant wage increases beyond the Government's *capacity*.

HUNDREDS of Earth Day demonstrators blocked Wall Street traffic yesterday as they danced and chanted in the financial district to protest against corporate involvement in pollution, Reuter reports from New York.

Police said that by mid-morning 155 people had been arrested and charged with disorderly conduct. Financial markets, however, opened as usual. Police said that about 400 protesters gathered shortly after dawn for the "Wall Street Action", aimed at shutting down Wall Street.

Mexico records first trade gap since 1981

By Richard Johns in Mexico City

MEXICO recorded a trade deficit of \$664.8m last year, the first since 1981, the National Institute of Statistics, Geography and Information announced.

Figures were issued after a long delay, apparently reflecting the authorities' nervousness over confidence in the peso-dollar exchange rate. The merchandise trade surplus in 1988 was \$1.75bn.

The deterioration in the trade balance stems from Mexico's policy of *apertura*, or opening up the economy, and a more rapid than expected resumption of growth, with the expansion of gross domestic product in 1989 provisionally estimated at nearly 3 per cent.

However, the deficit was less than some of the more pessimistic forecasts, which ranged up to more than \$800m.

Imports last year were valued at nearly \$23.41bn, an increase of 23.8 per cent over 1988.

Exports grew by only 10.2 per cent to \$22.76bn, according *to the Ministry of Planning* and the Budget. Foreign exchange receipts from petroleum sales rose from \$6.7bn to \$7.87bn, despite a reduction in the volume and thanks to higher per barrel receipts.

They accounted for just over half of the total increase in exports with those of manfuactured goods showing a a slower growth than in recent years of 8.3 per cent and those of agriculture and fisheries one of 5 per cent.

The figures do not, however, include net receipts of Mexico's flourishing *maquiladora*, or in-bond, industry.

The most recently available from the Bank of Mexico shows that earnings in terms of added value amounted to \$2.74bn last year up until the end of November, a 30 per cent increase over the same period of last year.

Most of the increase in non-maquila imports was accounted for intermediate goods which were up from \$12.95bn to \$15.13bn. Those of consumer goods rose steeply from \$1.92bn to \$3.49bn.

The man who would make US inflation illegal

Peter Riddell in Washington reports on one congressman's efforts to achieve price stability

REPRESENTATIVE Steve Neal of North Carolina is an unusual politician. He not only says he wants to eliminate inflation but he is prepared to do something about it.

As the Democratic chairman of the House domestic monetary policy sub-committee, Mr Neal has been holding hearings on his bill which would set the Federal Reserve the goal of moving over the next five years to price stability from an inflation rate of 4.5 to 5 per cent currently.

Mr Neal traces his concern about inflation back to the mid-1970s, when he was a newspaper publisher in Winston-Salem. "I ran a small business during the high inflation period and we could never keep up." Then, and after he was first elected to Congress in 1974, inflation was "the most important issue. So I wanted to understand it better. I started looking into it and was able to get on and chair the sub-committee dealing with it."

Initially, he proposed legislation *"to tell the Fed how to do* it – setting targets for M2 and so on. That just didn't attract any attention. It was too technical and didn't go anywhere."

So he switched tactics to focus on the end of eliminating inflation rather than the means of monetary targets. "This idea of establishing a goal and not the technique has more general appeal. It's more easily understood and we have a better chance with it."

"I want to give the Fed one purpose and then measure how well they're doing that. All these other goals that people want to set for the Fed are important – exchange rate stability, low interest rates etc. It's just that the best way to get these things is through zero inflation."

The first version of the Neal bill would have required the Fed to reduce inflation by one percentage point a year until it reached zero. But the Fed objected to two aspects; first, that the annual timetable was too rigid. "I agreed immediately. It was too rigid. We want zero in five years. They know how to do it. They need the flexibility to deal with external shocks, such as the 1987 market crash." Secondly, the Fed had doubts about the reference to zero inflation because the measuring tools were not precise enough to measure absolute zero. "Again I agreed, and we went back to price stability which will be achieved when inflation is not a concern in economic decision-making."

Mr Alan Greenspan, the chairman of the Fed, has said inflation will be eliminated "when the expected rate of change of the general level of prices ceases to be a factor in individual and business decision-making."

The plan has, not surprisingly, been endorsed by Mr Greenspan and by all the regional Fed presidents, though there have been differing views about the cost in terms of lost growth while inflation is eliminated. Mr Greenspan has talked of a "modest loss of growth" while Mr Neal shares the views of the rational expectations school of economists in stressing the importance of credibility.

Neal: first became concerned about inflation when he was a newspaper publisher

The congressman argues that the cost need "not be very great. If we passed the legislation, the President signed it and if everyone who made a difference – labour unions and the investing community – believes that these guys are serious about ending inflation in five years, there would be absolutely no cost. If it's 100 per cent believable, there would be zero cost."

His sub-committee staff have conducted a survey among the 3,000 odd members of the American Economics Association, out of a total of roughly 12,000, who list themselves as fiscal and monetary economists.

Initial results show 55 per cent unequivocally in support of the bill, another 15 per cent favourable but with doubts about things already anticipated or dealt with such as using the term zero inflation. Another 15 per cent are solidly against and the remaining 15 per cent are mixed.

Supporters include two Nobel prize winning economists, professors Milton Friedman and James Buchanan, as well as influential bodies such as the Farm Bureau. Some liberal economists endorse Mr Neal's goal, though they believe he is overselling the measure by under-estimating the costs.

Mr Neal's main opposition comes from within Congress and from the Bush Administration. He acknowledges that on Capitol Hill, "it'll take time. None of us want to do things that are going to be unpleasant or unpopular."

Senior Administration officials have said they regard the timetable as too rigid since it does not take sufficient account of the state of the economy.

At present, Mr Neal admits he does not have the votes to push the bill forward. "We don't want to take a chance of losing. As it is now, I think it's helping at the very least balance the argument against inflation. If it was brought up and defeated, that would just be a very bad signal."

Although his proposal is an aspiration, with no penalties for non-fulfilment, Mr Neal faces an uphill struggle.

But he is patiently keeping the measure alive – stressing that the main beneficiaries from price stability would be ordinary working people trying to buy a house, pay for medical care and education.

Antigua seeks Israeli arms dealer

By Canute James in Kingston

ANTIGUA is to seek the extradition of an Israeli businessman to answer charges connected with the transhipment of arms through the island to a former leading member of Colombia's Medellín drug cartel.

Mr Vere Bird, Snr, Prime Minister of the eastern Caribbean island, alleged that the businessman, Mr Maurice Safarti, was involved in the smuggling of the arms.

The arms, which were sent to Colombia a year ago, were discovered on the property of Mr José Gonzalo Rodriguez Gacha, a drug baron killed last December by Colombian police. The Colombian Government advised the Antiguan Government of the find earlier this month.

Mr Safarti once operated a fruit farm in Antigua but sold it two years ago. Government officials on the island said they did not yet know where Mr Safarti could be found but said it was suspected that he was in either the US or Israel.

The arms, the nature of which have not been disclosed, were sent from Israel to Antigua, ostensibly for use by the island's defence force, according to Antiguan officials.

The issue has split the already fractious Bird family which has led the island's government for the past decade and a half.

Mr Bird's announcement of the effort to extradite the Israeli businessman followed an earlier statement by Mr Lester Bird, the deputy Prime Minister and a son of the Prime Minister, that he would not attend any meetings of the Cabinet until the Prime Minister ordered a judicial inquiry into the smuggling.

Mr Bird, Snr, however, has not yet agreed to this.

He said that when the Cabinet received results of investigations in progress he would consider whether a judicial inquiry should be set up.

Mr Vere Bird, Jnr, another son of the Prime Minister, and who has been in contention with his brother Lester over who should succeed their father, has denied reports on the island that he was involved in the smuggling.

"I categorically deny having any knowledge whatever about the shipment of arms to Antigua and transhipment to any other country," a local newspaper reported Mr Vere Bird, Jnr, as saying. He is the Minister of Works and Communications, as well as the Government's National Security Adviser.

Canadians go for green

CANADA IS PLANNING a set of "green" indicators that will give the public and decision-makers a regular report on the state of the environment, Reuter reports from Montreal.

Canadian officials said the indicators could ultimately be linked with traditional economic statistics, which would help illustrate whether an economic upturn was being made at the expense of the environment's long-term health.

The Canadian Government has established a task force to develop a set of 20 to 30 indicators and a prototype package is expected to be released by early next year.

"There is such a vast array of data but people do want to know the state of the environment," said Anne Kerr, heading the task force for Environment Canada.

GrandMet and Courage amend beer swap deal

By Clay Harris, Consumer Industries Editor

GRAND Metropolitan and Courage have amended their breweries-for-pubs swap in an effort to get the deal cleared by British and European Community regulators.

GrandMet, the UK drinks and restaurants group, and Courage, the British subsidiary of Australian brewer Elders IXL, are to reduce the proportion of beer which tied pubs in their jointly-owned Inntrepreneur Estates would be obliged to buy from Courage.

Mr Allen Sheppard, GrandMet chairman, said yesterday that his company and Courage *had renegotiated their deal* after the Office of Fair Trading and its Brussels counterparts both raised questions about the beer supply agreement.

It is still not clear, however, whether the change will be enough to allay concerns about competition.

The deal between GrandMet and Courage, announced in March, would create Britain's second largest brewer, after Bass, and its biggest chain of public houses.

International property market

Surveyors link up to open US, British markets

***By Paul Cheeseright**, Property Correspondent*

HEALEY & BAKER, one of the largest British practices of chartered surveyors, has arranged an association with Cushman & Wakefield, a real estate services company in the United States.

The association will open up the US market to Healey & Baker and the European market to Cushman & Wakefield.

The link between the two companies is part of a progressive realignment among British chartered surveyors as they have sought expansion both through mergers domestically and associations with the other companies *internationally*.

Last week Gooch & Wagstaff, another British practice of chartered surveyors, announced an association with Mercuri Tavernier Conseil of Paris.

At the same time the Healey & Baker link gives Japanese interests their first indirect stake in the British chartered surveying sector. Cushman & Wakefield is 80 per cent owned by the Rockefeller Group, but Rockefeller is 51 per cent owned by Mitsubishi Estate.

Healey & Baker has offices in the UK and 11 other European countries, while Cushman & Wakefield has 53 offices in the UK. The association between the two provides for each to introduce to the other business from their respective geographical markets, and for the fees to be shared. A management board is being set up to supervise the joint venture and there will be an exchange of senior personnel.

The link between the two companies reflects the growing *internationalisation of the* property market. Although there has been a steady flow of European investment to the US commercial property market, US investment in Europe, except for owner-occupiers has been scanty until recently. But over the last year, the weakness of the US market and the growing tendency of US institutions to operate a global investment policy has created, in the US, more interest in the European property markets.

BRITAIN IN BRIEF

British Rail offers 9.3% to unions

British Rail made a final pay offer of 9.3 per cent to leaders of the three rail unions representing 100,000 staff.

The offer will run for 11 months, enabling BR to regard it "as adding 8.6 per cent to our pay bill," said Mr Paul Watkinson, director of employee relations. Mr Watkinson denied receiving government instructions to keep the increase under 9 per cent, saying only: "Whitehall always gives us advice."

Rail union leaders will consider the offer later this week. Both sides are keen to avoid a repetition of last year's series of damaging one day strikes and it is likely the offer will be accepted. Talks on a self-financing reduction in working hours from 39 to 37 will continue separately.

Mr Jimmy Knapp, general secretary of the NUR, the largest union, refused to say whether the offer would be recommended but stressed that the unions were anxious to reach a negotiated settlement. Mr Watkinson said he "was hopeful" of acceptance.

Gas carrying charges cut

British Gas announced cuts of up to 40 per cent in its charges for carrying competitors' gas through its pipelines, in a bid to open up the industrial gas market to competition.

The move is a sign of British Gas's belief that it will have *to surrender some of its* industrial gas market in order to persuade the regulatory authorities to ease the present restraints on it.

Construction outlook worse

The outlook for the UK construction industry, beset by high interest rates and falling private sector demand, has worsened since the end of last year according to one of the industry's foremost forecasting bodies.

The National Council of Building Material Producers forecast that UK construction output was likely to fall by 6 per cent this year and by 0.5 per cent in 1991.

Money supply beyond target

UK money supply continued to grow well *outside* the target range set by the government last month.

There was a provisionally estimated 6.3 per cent rise in M0, the narrowest money aggregate, in March from a year earlier on a seasonally adjusted basis, the Bank of England said. This compares with a 12 month rise of 6.4 per cent rise in February. On a monthly basis, M0 rose a seasonally adjusted 0.2 per cent in March, slightly less than expected by the markets.

M0, or narrow money - which consist mainly of notes and coins in circulation - is *the only aggregate for which* the Treasury sets a target.

Savings down

The inflow of savings into the building society home loans and savings industry fell last month despite a rise in interest rates.

Figures published by the Building Societies Association yesterday show that only £363m of net new savings flowed into the societies in March, compared with £383m in February. The March figure was the lowest so far this year. Mr Mark Boléat, Director-General of the Building Societies Association, said the disappointing inflow of funds was partly caused by the slow-down in housing market activity.

"The smaller number of transactions that are taking place in many regions of the country at lower prices than was the case a year ago is *inevitably leading* to fewer and smaller lump sums released by 'last time sellers' and available for investment in societies." Mr Boléat said.

Thatcher visits Gallipoli

The Prime Minister flies to Turkey tomorrow to pay homage to the thousands who died at Gallipoli in the bloody campaign against Turkey in 1915.

It was Winston Churchill's disastrously executed plan to destroy Germany's allies, the Turks, and to bring the First World War to a dramatic and swift conclusion.

Political and military leaders from Britain, Australia, France, New Zealand and Turkey, and envoys from Canada, India, Pakistan and West Germany are expected to commemorate the campaign on Wednesday.

Jobs to go at musuem

Natural History Museum employees yesterday reacted furiously to the news that 100 jobs will be cut in the next two years.

The staffing reductions form part of the museum's corporate plan for 1990-95, approved unanimously by the Trustees last Wednesday, which takes account of likely further cuts in government funding. Dr Neil Chalmers, the director of the museum, urged the government *to grant* £4.4m above what they have already indicated for the next five years, to avoid a cut in grant in real terms.

Scientists reacted furiously to the news, which entails a 15 per cent cut in the scientific staff. The Institute of Professionals, Managers and Specialists said that individuals were told the news yesterday morning by department heads with "no prior warning or consultation". Union representatives were barred from attending these meetings.

A meeting of all the employees' organisations involved will decide on further action at 10am this morning.

Commons TV voted success

Televising the House of Commons has been "more successful, more quickly" than broadcasting companies dared to hope, MPs were told yesterday.

Arrangments similar to those currently in place should continue for another year before being replaced by a permanent structure, broadcasting represenatives told the Commons' select committee on broadcasting.

Retailers may face 'green' rules for packaging goods

By David Thomas, Resources Editor

RETAILERS MAY be forced to package their goods in environmentally friendly ways, as a result of a review of green policies now being undertaken by the Government.

Government departments and agencies could also be obliged to make much greater use of recycled materials following the review, which will culminate in a White Paper on the environment in the autumn.

These early insights into the contents of the White Paper were given yesterday by Mr David Heathcoat-Amory, an Environment Minister, in a speech to the Financial Times conference on industry and the environment.

Mr Heathcoat-Amory said the Government was concerned about excessive packaging. "Several large retailers are auditing their packaging of products, but in our white paper we may have to go further and consider controls unless many more volunteer to go down that road," he told conference delegates.

The Minister later gave examples of the type of obligations which might be laid on retailers and the packaging industry. These included:

The use of more recycled material in cardboard boxes.

- The use of more green bottles, rather than clear bottles, for drinks to deal with the excess supply of recycled clear glass.
- A ban on the use of more than one type of plastic in bottles, which would make recycling easier.

Mr Heathcoat-Amory warned that the Government would be forced to act if the packaging industry did not introduce such changes voluntarily. "We want the industry to realise that the total laissez faire situation in packaging may have to end," he said.

The Minister also disclosed that the use of recycled materials by Government agencies was likely to be discussed in the white paper.

"The Environment Department already uses recycled paper, but why can't every other Government department do so?" he asked.

One problem to be overcome was the inappropriate quality *standards* used by some Government purchasing officers, the Minister said.

For example, the British Army would be able to make much greater use of recycled fibres in its uniforms if specifications were adjusted.

House of Commons

'Offensive' foetuses tactic angers MPs

By Alison Smith

TACTICS used by the "pro-life" lobby provoked complaints from MPs on the final day of lobbying before tonight's decision in the Commons by MPs about the law on abortion.

The source of their concern were plastic models of a 20-week old foetus that were sent to each MP at the weekend by the Society for the protection of Unborn Children.

Mr Frank Dobson, the oppositon Labour MP for Holborn and St Pancras, said that it was "grossly offensive and upsetting" for MPs' staff to receive the models, and called *for the organisation to be reprimanded* by Mr Bernard Weatherill, the Speaker.

And Mr Roger Gale, the Conservative MP for Thanet North, described the move as "appalling" and "idiotic."

Mr Christopher Whitehouse, the SPUC society's press officer, said that he was sorry if any secretary was upset by the model "but this does rather prove the point that the child of 18 weeks is recognisably . . . and unmistakenly human."

MPs face hours of voting will have to vote into the early hours of tomorrow morning on more than 20 possible changes to the 1967 Abortion Act.

The long hours of voting on a series of amendments may favour the pro-life lobby, which has organised itself with teams of whips to ensure that it is able to can keep its supporters at Westminster and voting in *the right lobbies until all the* decisions have been taken.

The votes on the maximum time limit for abortions will start at the two extremes of 18 weeks and 28 weeks (the current limit), then 20 weeks, 26 weeks, 22 weeks and then 24 weeks, in what has been called the "pendulum" effect.

Labour protests at report of racial choice in schools

By John Mason

THE Opposition Labour Party yesterday protested strongly over reports that the Government is to allow race to be a legitimate factor in parents' choice of school for their children.

Mr Mr John MacGregor, the Education Secretary, was reported as agreeing to allow that a child at a school in Cleveland, north east England, could be transferred to another school on racial grounds.

Mr Jack Straw, the Labour Party's education spokesman, said this would amount to a change in Government policy following a statement by Mr Kenneth Baker, the former Education Secretary, when piloting through the Education Reform Bill, that the Government abhored racial discrimination.

Mr Straw said this assurance was taken to mean that parental choice could not be exercised in a racially discriminatory fashion.

Such a move also clashed with the Race Relations Act which such moves on racial grounds illegal, he said.

UK NEWS

Government puts off privatisation of coal industry

By Maurice Samuelson

THE GOVERNMENT has significantly altered its timetable for privatising the British coal industry because of uncertainty about its future business prospects throughout the rest of the 1990s.

Until recently, it was committed to selling British Coal early in the next Parliament if it won the next general election.

The Department of Energy, however, said yesterday that Britain had informed the European Commission that coal would not be privatised until the middle of the decade, two or three years after the next election.

The re-scheduling is due not only to the need for complicated legislation. It also reflects the fact that the recently concluded contracts with the privatised electricity industry, British Coal's principal customer, are for only three years and that negotiations on subsequent sales are not likely to begin for at least another year.

British Coal, meanwhile, is preparing to confirm that thousands of additional jobs will be shed in the 1990s as it fights to keep its sales with the UK's privatised electricity industry.

The issue is expected to be referred to in a statement on the future of the industry being discussed between British Coal executives and the Department of Energy.

The past year has seen the number of Britain's collieries drop by 13 to 73, and the total workforce fall by 18,000 – from 105,000 to 87,000.

The rundown is expected to continue in the early 1990s. In December, a British Coal official forecast a fall of 15,000 jobs over the next three years.

That is expected to be the prelude to more losses in subsequent years as the power stations move progressively away from British coal to imported coal and natural gas.

With little left of older pits in Wales and Scotland, that offers a bleak prospect of redundancies not only in the Yorkshire area, heartland of the National Union of Mineworkers, but in the Midlands and Nottinghamshire coalfields manned by the moderate Union of Democratic Mineworkers.

How British Nuclear Fuels won the VEW contract

Britain's nuclear power company aims to expand business with oversea contracts, writes **David Fishlock**

THE reprocessing of spent nuclear fuel is a long term business. British Nuclear Fuel's latest overseas contract, to be signed in Lingen, West Germany, today, is for reprocessing capacity in the decade beginning 2004. The decade before – from 1993 to 2003 – is already booked up.

Reprocessing spent fuel is BNFL's principal business. Its customers want guarantees that their highly radioactive spent fuel will be taken care of – or decades ahead.

The man primarily responsible for winning the £225m contract with West German power group VEW is Mr Neville Chamberlain, 50, appointed chief executive of British Nuclear Fuels by Mr Christopher Harding, the chairman, in 1986.

In Mr Harding's view, he has "ability, great vision, commercial experience and a very different attitude from some of the BNFL executives".

Mr Harding also wanted a chief executive young enough to see some of the long-term decisions come to fruition.

Mr Chamberlain has no doubt about the vital importance of reprocessing to the nuclear industry – and not just for BNFL's own fortunes.

"I do not foresee nuclear power maintaining its existing position as a world energy source, let alone taking a greater role, without an economically viable and publicly acceptable reprocessing industry."

Reprocessing, Mr Chamberlain says, is the only proven and dependable way of managing the back end of the fuel cycle – the irradiated fuel elements once removed from the reactor. Reprocessing is a series of chemical operations that separates spent fuel into re-usable fuels (uranium and plutonium) and a small amount of radioactive waste.

Uncertainties about the technology and its costs for oxide fuels – the kind used today by most commercial reactors – are diminishing rapidly with progress at the latest French reprocessing plant at La Hague, UP-3, which came on-stream late last year; and with progress in completing BNFL's new plant at Sellafield, Cumbria.

At Sellafield, the £1.85bn. thermal oxide reprocessing plant (Thorp), which started life with a public inquiry in 1977, and began construction in 1985, is scheduled for operation in 1993. But Thorp's first stages, receipt and storage of spent fuel, are in service.

Mr Harding sees Thorp as "a showpiece of British construction at its best". Thorp's design and construction has been financed by an arrangement

Aiming for Europe: Harding and Chamberlain at BNFL

with its customers – power companies – who pay BNFL to reserve storage space for their spent fuel, which will then be reprocessed during the first ten years of its working life, 1993-2003.

Because of considerable political as well as technical uncertainties when the project began, these contracts were cost-plus, although customers still had to be convinced of the justice of every increase required by BNFL. Overseas customers also agreed to take back their share of highly radioactive wastes, under an agreement backed by their governments.

All 7,000 tonnes of planned reprocessing capacity for the decade have been reserved by companies in the UK, Western Europe and Japan. BNFL is now negotiating contracts for reprocessing during the second decade, 2004-2013.

These are fixed-price contracts at a cost per tonne considerably lower than for the first decade, because Thorp will have been amortised.

The opportunity for substantial new orders from West Germany opened last spring when the German power industry, faced with runaway costs for its own reprocessing project at Wackersdorf in Bavaria, began talks with the French to undertake the work instead.

West Germany is more heavily dependent on nuclear power than Britain, about 40 per cent of electricity supply compared with 20 per cent. It also has a law requiring nuclear operators to show they have made provision for disposing of spent fuel, before they get a licence to operate.

Mr Chamberlain, alerted by word of a French offer to build a jointly-owned reprocessing plant in France for the German companies, composed an alternative BNFL offer. This offer undercut the French proposal but asked for an Anglo-German agreement on turning the plutonium by-product into fresh reactor fuel. Mr Chamberlain wanrs BNFL to enter the international market for mixed-oxide fuel.

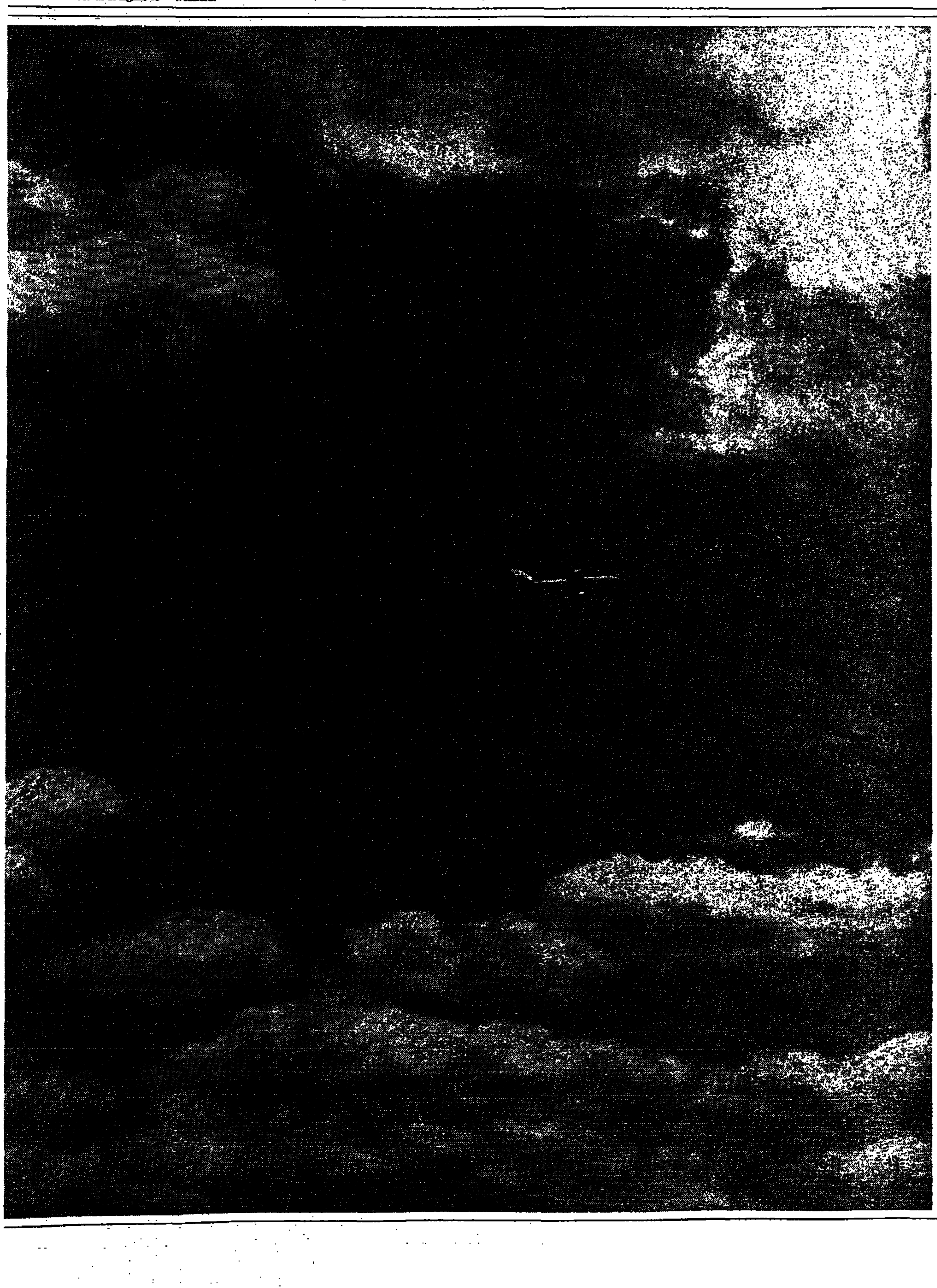
Initial hopes last summer that BNFL might win quick contracts were thwarted while operators were obliged to demonstrate they would still be complying with German law. The operators also re-examined alternatives, such as long-term storage of spent fuel.

Mr Chamberlain is convinced that nuclear energy must become a fully international business, with multi-national ownership, if it is to achieve stability. He points to the way the once politically controversial process of uranium enrichment has been stabilised by the multi-national operations of the Anglo-German-Dutch group Urenco, backed by inter-governmental agreements. BNFL has a one-third shareholding in Urenco.

BNFL faces a stagnant domestic nuclear demand for the rest of this decade. For growth, Mr Chamberlain is looking overseas. Last month it set up International Nuclear Fuel, a vehicle through which to expand internationally.

This subsidiary, seen by Mr Chamberlain as "our passport to the future," will separate the international nuclear business from essentially domestic activities.

Mr Chamberlain wants to see BNFL's overseas business expand from its present 20 per cent of the group's overall sales to 30-40 per cent by the end of the century.



UK-US route provides biggest absolute profit

Inquiry call over British Telecom international profits

By Hugo Dixon

THE LABOUR Party yesterday accused British Telecom of "blatant profiteering" and called on Mr Nicholas Ridley, the Trade and Industry Secretary, to refer its international calls pricing policy to the Office of Fair Trading.

The call followed the disclosure in yesterday's Financial Times that BT was earning a profit margin of nearly 60 per cent on international calls. Labour said British business was being badly hit by excessive charges for international calls.

Separately, the Telecommunications Managers Association, which represents large business users, accused BT and Mercury Communications, its smaller rival, of overcharging by sending faulty bills.

Mr Nigel Griffiths, Labour's consumer affairs spokesman, said in a statement: "The world is shrinking and business orders become more and more dependent on international communications. These excessive prices are eventually passed on to consumers, thus forcing up the cost of goods and services."

The DTI said there was little point in referring international phone charges to the OFT at this stage because the Office of Telecommunications, which has specific responsibility for regulating the telecommunications industry, had recently launched its own inquiry. It said it was waiting for Oftel's report and would try to act on any recommendations it made.

The FT article, based on a confidential BT document, showed that international calls generated profits of £445m from revenues of £770m in the year to March 31 1988. The biggest absolute profits were earned on traffic between the UK and the US, where revenue of £192m produced profits of £121m, a 63 per cent margin. The highest margin, 79 per cent, was on the UK-Israel route which earned profits of £8m from revenue of £9m.

BT, which admitted at the weekend that its margins were "pretty good," said yesterday it had no further comment to make on its profit margins.

The TMA's accusations were based on a survey of its 800 members in late 1989, to which 118 replied, of whom 87 per cent said they had been overcharged by BT during the previous year. The survey also argued that Mercury's billing system was not infallible – 42 per cent of its customers said they had been overcharged.

The TMA said: "The lack of confidence in the accuracy of these bills is now so widespread that the investigation and correction of errors is absorbing a disproportionate amount of management effort. We dread to think what the cost of this is to the UK plc effort where, in many cases, scarce senior management resource is now focussed on challenging the mistakes of a supplier rather than moving their own companies forward.

"There cannot be many other suppliers who would be permitted to perpetrate this level of inaccuracy in billing."

BT said the survey was unscientific, highly misleading and weak on facts. It said it took complaints about bills seriously and was in the process of improving its billing procedures.

Iveco-Ford workers start strike

By Diane Summers, Labour Staff

AN all-out strike by 1,100 truck assembly workers at Iveco Ford, a joint commercial vehicle subsidiary of Ford of the US and Fiat of Italy, began yesterday following the rejection by unions of a two-year pay deal. Management said there were no plans for further talks.

The offer was for 9.25 per cent back-dated to November 1989 in the first year, plus an unconsolidated £150 bonus. The second year would have given 8 per cent or an increase equal to inflation. The company had also been trying to get more flexibility into its craft pay structure.

Unions have been looking for at least parity with workers at Ford's wholly-owned plants, who this year won a 10.2 per cent increase.

The company reduced the working week to four days in January and three days in March as a "very short-term measure to optimise stock" after following a 25 per cent decline in the UK truck market in the first quarter of the year.

At the end of last month the week was extended again to five days so that stocks could be built up to cope with any industrial action.

UK spends £2m on aid to Poland

By Rachel Johnson

THE UK spent £2m on aid to Poland in 1989-1990 and is about to begin spending on Hungary, the Treasury announced yesterday in its clearest summary yet of economic aid to Eastern Europe.

In its Economic Progress Report, the Treasury published full details of the UK's financial assistance to Eastern Europe and the current state of the "know-how" fund – launched by the UK Government last year to give emerging democracies advice, management and financial training.

The know-how fund has grown from a starting size of £25m to an existing provision of £75m for Poland and Hungary over the next five years.

Poland was the earliest recipient from Western aid, the Treasury explained, because of its size, needs and the fact that it made the earliest start in political reform. Poland is to receive £50m, and Hungary £25m, of the funds.

Aid for Polish agriculture is to total £15m in 1990-1991, and the UK is also to contribute over £60m for the country's stabilisation fund.

In Poland, more than half the allocation for spending is for banking and finance, management and accountancy and macroeconomic advice.

FT LAW REPORTS

Digest of Hilary Term cases

FROM FEBRUARY 20 TO MARCH 7

THE KANCHENJUNGA
(FT, February 20)

The main issue in the House of Lords appeal was whether the owners had waived their right not to comply with the charterers' orders to proceed to Kharg Island after hostilities started in the Iran-Iraq war. The owners had complied with the orders to the extent that the vessel proceeded to the unsafe port, gave notice of readiness, but then, the master having tasted danger, had persuaded owners not to load. The crucial question therefore was whether the owners, before the vessel sailed away, had by their words or conduct, precluded themselves from rejecting the charterers' nomination as not complying with the contract. By their actions, in asserting that the vessel was available to load and that laytime had started to run at Kharg Island, the owners waived their right to call for another nomination, it was held.

BRITISH COAL CORPORATION v CHEESBROUGH
(FT, February 21)

For the 12 weeks immediately preceding his redundancy, British Coal proposed to make a redundancy payment to Mr Cheesbrough. Its calculations were made on the basis that in order to arrive at his "average hourly rate of remuneration" for the purposes of paragraphs 3 and 5 of Schedule 14 to the Employment Protection (Consolidation) Act 1978, the only adjustment to be made to the figure of his total remuneration divided by total hours worked in the 12 weeks was the deduction from actual remuneration of the 50 per cent overtime premium. Mr Cheesbrough challenged British Coal's construction of Schedule 14 and its method of calculating his redundancy pay. Dismissing his appeal, the House of Lords (by a majority) held that on the true construction of paragraph 5(2), the calculation of the average hourly rate of remuneration was in all cases to be made simply by deducting any element of overtime premium from actual remuneration.

NEW HAMPSHIRE INSURANCE CO v STRABAG BAU AG
(FT, February 23)

In 1981 Strabag contracted to construct Basrah airport and entered into an insurance policy with New Hampshire through brokers who dealt with the leading underwriters in England. After paying a variety of claims, New Hampshire sought to avoid the policy and served a writ on Strabag out of the jurisdiction. Strabag issued a summons which sought to strike out the proceedings on the ground that the action had been improperly brought contrary to the Civil Jurisdiction and Judgments Convention by articles 2,7 and 11 and section 2. Accepting their argument, Mr Justice Potter stated that on the face of those provisions, as an insured sued by an insurer and as a defendant domiciled in West Germany, it might only be sued in West Germany. An express choice of law clause was needed to invoke article 35 which was a transitional provision for a contract before the Convention came into force but, under it, the parties would have had to agree in writing that the contract was governed by UK law for the UK courts to retain the right to exercise jurisdiction.

HAZELL v HAMMERSMITH AND FULHAM BOROUGH COUNCIL AND OTHERS
(FT, February 27)

The auditor of Hammersmith and Fulham Borough Council successfully applied to the Divisional Court for a declaration that interest swap transactions by the local authority were unlawful. The banks appealed and in dismissing their appeal, the Court of Appeal stated that if a swap transaction was by way of interest rate risk management, a local authority was empowered to enter into it; if it was not by way of interest rate risk management but was by way of trading, the authority was not so empowered. The court was satisfied that all the transactions to which the challenged items of account related up to July 1988, were tainted with the improper purpose of trading. However, the council's purpose in transactions after July 1988 was radically different from what it had been before. If a local authority had unwittingly and in good faith exceeded its powers, but with good reason was uncertain whether or not it had done so, it had implied power for such period as it reasonably took to resolve that uncertainty and to limit and reduce the loss which its earlier conduct might cause ratepayers or community charge payers.

BERKELEY ADMINISTRATION INCORPORATED AND OTHERS v ARDEN C McCLELLAND AND OTHERS
(FT, February 28)

At first instance, the judge refused by order security for costs against the plaintiffs, resident abroad, on the grounds that Order 23 rule 1 of the Rules of the Supreme Court offended against article 7 of the Treaty of Rome. Allowing an appeal by the defendants, in Walt Wilhelm [1979] ECR 1 the European court ruled that article 7 was not concerned with disparities in treatment resulting from divergences between the laws of member states, as long as they "affect all persons subject to them, in accordance with objective criteria and without regard to their nationality." On the basis of that ruling, Order 23 rule 1 did not offend against article 7. All persons suing in English courts were subject to the rules of procedure of those courts irrespective of nationality as Order 23 applied the objective criterion of residence.

IN RE KABYSHIKI
(FT, March 2)

The area of dispute in the present case was whether, for the establishment of a priority date of a product, the priority document had to contain an "enabling disclosure" – ie, whether it had to contain sufficient information to enable someone else to produce the product. Answering the question in the affirmative and dismissing the appeal, the Court of Appeal stated that under both the Act and the Convention a patent application might be filed without the enabling disclosure (see section 15 and article 80). The application would take its priority from the original date of filing, provided the deficiencies were made good within 12 months. The application could not, however, be published until amended to include claims. The date of filing a patent application which gave it priority under section 5(1), might be a date at which, under section 15(1), the specification was incomplete and did not include an enabling disclosure.

ITALIA EXPRESS
(FT, March 6)

The plaintiff sought an order that the defendant, a representative underwriter serve a further and better list of documents in his possession or in the possession of the underwriters that he represented. Refusing the application, Mr Justice Saville stated that it was clear from Order 24 rule 3 of the Rules of the Supreme Court that the court only had power to order a party to proceedings to make discovery. It was clear from Order 15 rule 12(iii) that represented persons were not parties to the proceedings. Moreover, legal professional privilege could be claimed for documents not previously in the possession of a party to actual litigation and which had not come into existence for purposes of the litigation but had been obtained by his solicitor for that purpose.

REGINA v LONDON BOROUGH OF RICHMOND, EX PARTE McCARTHY & STONE (DEVELOPMENTS) LTD
(FT, March 7)

The developers sought the informal views of officers of the planning authority for their proposals to redevelop a site within the borough. The council charged a fee for this service in accordance with a resolution passed a year earlier. The developers paid the fee under protest and then sought judicial review to quash the council's decision. Their appeal against the application for judicial review having been refused, the Court of Appeal stated that the legislature had specifically conferred on planning authorities neither a duty nor a power to give pre-application advice. The power to give such advice was itself merely a subsidiary power, enjoyed by the local authority by virtue of section 111(1). It arose simply because it was "calculated to facilitate" or was "conducive or incidental to" the discharge of its planning functions, and was thus within section 111(1). All that the council was doing was stating, on a take-it-or-leave-it basis, that it was willing to enter into a pre-application consultation arrangement if, as part and parcel of the arrangement, it was paid a stated reasonable fee by way of reimbursement for expenses.

Aviva Golden

TECHNOLOGY

David Fishlock reports on British Bio-technology's approach to managing its development programme

Survival of the fittest drugs

Europe's fastest-growing biotechnology research and development company, British Bio-technology, has cleared the first big hurdle in its quest to become a fully integrated pharmaceutical company. After four years of research, it has determined which of its ideas will enter the expensive development phase – £15m or more per drug – and which will be abandoned.

"Clear goals all the way along the track are critical to the effective management of *drug development*," says Keith McCullagh, British Bio-technology chief executive. His target depends on the demands of drug regulatory authorities. "It keeps you focused. People have come unstuck."

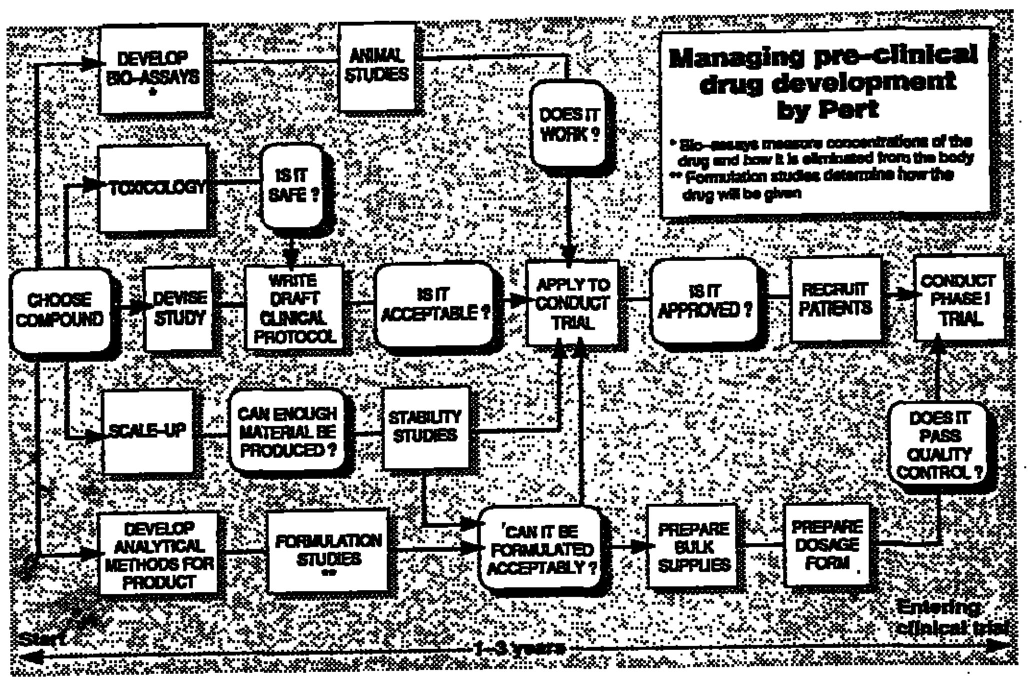
McCullagh and Brian Richards, British Bio-technology's founding scientists, are former research managers of pharmaceuticals manufacturer G.D. Searle. After Searle's UK laboratories were sold to Monsanto in 1985, McCullagh and Richards sought £2.5m from the City to back their prospectus for a company to invent "second-generation" genetically engineered drugs, intended to leapfrog those already in development by earlier biotechnology ventures.

Set up in the shadow of the Austin Rover factory at Cowley near Oxford, British Bio-technology today has a staff of 180, of which 120 are engaged in research. Another 12 are working on drug development, with plans to expand to 75.

Two further financings have raised £30m for development and pilot production of British Bio-technology's first drugs, and the company is completing a £3.5m pilot plant to make kilogram quantities. It has four prospective products expected to enter trials this year.

The company has British, US and Japanese shareholders. "We have learned from the mistakes we made in our earlier biotechnology investments," says a shareholder. One mistake other companies made was to adapt their strategy to the results of research, says McCullagh. If an idea for a drug failed to achieve the efficacy sought in a particular situation, the tendency was to look for other uses for the substance. "Drop it" is his uncompromising advice.

Many research managers say their most difficult problem is abandoning projects. Senior staff of British Bio-technology gathered to decide which projects had failed tests of efficacy and/or safety. One was a tissue growth factor they had hoped would promote faster rates of wound healing. It was judged insufficiently efficacious to offset the daunting complexity of clinical trials that satisfy the regulatory authorities.



But another growth factor survives as a prospective agent for promoting bone repair and for treating the bone-wasting disease osteoporosis. The company believes it has both efficacy and a clever patent advantage, McCullagh says.

They also abandoned a prospective AIDS drug even though their scientists could show in laboratory cultures that it stopped replication of the HIV virus. Development would have demanded a huge financial commitment, in a field where there are major players. "It just got too hot," says McCullagh.

Another mistake made in the early days of biotechnology was to think that genetic engineering offered a way of shortening the R&D cycle. Because the targets were often genetically engineered routes to substances present naturally in small quantities in the body, such as interferon or growth factors, it was argued that the regulatory authorities would be less demanding. "What people failed to realise is that if you give a natural substance in an unnatural way, it's just as much of a regulatory problem," Richards says.

Nevertheless, he thinks British Bio-technology can cut the cost of drug development significantly – perhaps by a factor of two – compared with the big multinational pharmaceutical groups and their sprawling R&D sites scattered across several countries. Instead of building big teams in-house to conduct phase 1 trials (in healthy volunteers) and phase 2 trials (in volunteer patients), it plans to sub-contract these trials to laboratories specialising in such tests, of which the UK has several. Its own small development team will provide the protocols and manage the trials.

Similarly, the company plans to sub-contract the development of the manufacturing process, although it aims to undertake enough science in-house to "keep in touch with the chemistry."

To manage its drug development strategy the company is using the programme evaluation and review technique (Pert), first developed in the US to manage big military developments. Its Pert critical path diagram (see above) for the development stages of a drug specifies "everything down to printing the labels," claims Richards. Progress is being reviewed every two weeks and the schedule updated monthly. "We know very quickly if anything slips."

For a typical drug, decision points on the diagram ask whether it is sufficiently non-toxic, whether it is therapeutically useful and whether they know how to make enough of it. Failure to meet any of these targets could put the development in jeopardy.

Richards claims that the company will be able to mobilise development resources more efficiently than big drug companies and *carry out* development more cheaply. The challenge will be to spot those drugs which will not achieve the target as early as possible, before they cost too much.

British Bio-technology estimates the costs of developing a new therapy for registration in Europe as:

Pre-clinical development (including research)	£3m
Phases 1 and 2 trials	£3m
Phase 3 trials* and registration (taking two-three years)	£8m-£12m
Underlying pharmacy, analysis, etc.	£2m-£3m
Total	about £20m

* Final stage, where the drug is tried on enough patients to satisfy regulatory authorities.

Phase 3 trials, at about £1,000 per patient to meet European regulations, have obliged the managers to set a limit of having no more than two major new pharmaceuticals in phase 3 trials at the same time.

Does detailed management control of this kind constrain inventiveness? Richards, who spent 14 years as an academic scientist before joining Searle, says it is a common opinion in universities that directed R&D of this kind is confining. He contends, however, that it is not. Academics are also wrong in believing that while research is creative, "anyone can do development."

While British Bio-technology does not attempt to control research by using Pert, the company does set criteria by which it can evaluate progress of each of its research projects. Moreover, John Gordon, research director, reviews each project every six weeks.

For a biotechnology company, it also has an unusually big research team devoted to medicinal chemistry. As McCullagh points out, the 600-odd drugs which achieved worldwide sales exceeding £125m each in 1988 are compounds of small molecular weight, intended to be taken orally, and made by chemistry not biotechnology. Small molecules made by chemistry rather than big ones manufactured by biotechnology are its ultimate target.

One further target – some might see it as the most important of all – is for the privately-owned British Bio-technology to go public, at latest by 1993. The precise timing, says McCullagh, depends on the results of its clinical trials as well as the stock market.

WORTH WATCHING

by Della Bradshaw

Supercomputer on the road to Rio

PROFESSOR Claudio Amorim, a computer scientist at the Federal University of Rio de Janeiro (UFRJ), and a team of 13 researchers have built Brazil's first supercomputer, writes John Barham.

The machine is a parallel processor made up of 16 nodes. Each node processes information simultaneously, allowing the computer to carry out heavy duty number crunching faster than conventional mainframe computers. Each node can handle 60m operations per second.

Amorim says the machine's architecture is similar to parallel machines developed in Britain by Meiko. Each node contains a transfilter, a sort of enhanced transistor, and an Intel 860 chip. Amorim says the architecture can be expanded to 2,000 nodes.

He says that were it not for budget and import restrictions caused by Brazil's economic crisis and interminable bureaucratic delays, the UFRJ computer would have been operational last year. The project, funded by the central government to the tune of $1m, took two years to complete.

UFRJ says it is negotiating a production contract with a local company. The Brazilian-built 16 node processors could sell for $500,000.

Unix systems on the rise

COMPANIES buying PCs and medium-sized computer systems in the UK this year will favour the Unix operating system, rather than Dos or OS/2. That is the conclusion of a report from Wharton Information Systems, of Twickenham.

The report, which bases its predictions on statistics culled from the UK's PC dealer network, reports that IBM's OS/2 operating system has shown disappointing sales, while there has been a 15 per cent growth in unit shipments over the past year for PCs running under Dos.

But this growth figure is small compared with Unix. In 1988 total Unix sales – hardware, software and services – were worth £1,250m in the UK, a growth of more than 60 per cent on the 1988 figure. And, predict Whartons, the figure for 1990 could double.

One reason for the disappointing sales of the OS/2 operating systems, the company says, is growing fears of incompatibility between software from different software houses.

A convert to small supplies

THE north Devon seaside resort of Ilfracombe is probably better known to the Japanese tourist than the Japanese electronics manufacturer. But it is Japanese electronics equipment makers that are the first to use an electronic power supply unit (PSU) developed at the Victorian resort.

PSUs may sound boring, but they are an essential component in computers, telephone exchanges and industrial process controllers to convert mains electricity supplies into the various voltages needed by disk drives, computer screens or battery back-up units.

The advantage of the Omega PSU, developed by Coutant Lambda, part of the Unitech Group, is its size. The manufacturers claim it is just one third of the traditional PSU, so an obvious space-saver in today's miniature electronic equipment.

The company has achieved the size reduction by building the unit in the form of a box, and mounting the various components on the inside. Many of the more traditional PSUs favour mounting the components on two boards.

Writing letters to your computer

THE latest West German entrant to the personal computer market, AEG Olympia, of Wilhelmshaven, has developed a PC aimed specifically at the technophobic business manager.

The keyboard-shy executive uses a light pen to put information into the system, writing in capital letters on a *table mat-sized* pad on the desk. The script appears on the screen, where it can then be converted into different types of script.

This prototype PC, which will run standard IBM packages, can also take in spoken information, and can display incoming fax messages on the screen.

● A clutch of PC manufacturers from South Korea, usually considered to subcontractors *rather than* PC manufacturers in their own right, are launching PCs under their own name in the UK. They include Daewoo, Goldstar and Hyundai.

Although Korean manufacturers are often viewed as manufacturers of cheap and cheerful products, the PC companies such as Daewoo, of Seoul, are promoting their wares on the ground of quality. Daewoo says, for example, that less than 1 per cent of its machines were returned last year because of faults.

Gentler pick of the potato crop

A BETTER quality potato on the supermarket shelf is the promise of a novel potato harvester which handles the potatoes more gently than today's agricultural diggers.

The machine, developed by the Scottish Centre of Agricultural Engineering, in Midlothian, and sold by Riecam Borselle, of Giessen in the Netherlands, combines two innovations: the first removes the potatoes from the ground and the second removes the surplus earth.

Instead of the usual crude spade-like implement that lifts the potatoes out of the ridges in the field, the Pulsar harvester uses two spinning discs, one on each side of the mound, to toss the cushion of potatoes and earth on to the machine. Once there, the potatoes are separated from the earth by agitating them from side to side, rather than bouncing them up and down on a vertical metal screen – the potato's traditional bumpy ride

Contacts: UFRJ: Brazil, 21 230 9800. Wharton: UK, 01 891 6197. Coutant Lambda: UK, 0271 863781. AEG Olympia: West Germany, 4421 78; UK, 0753 838111. Daewoo: South Korea, 2 781 1591; UK, 01 423 7265. Riecam Borselle: Netherlands, 01 882 2714.

MANAGEMENT: The Growing Business

Concorde Informatics

When growth needs an ordered structure

Michael Dixon on ways to solve problems caused by expansion

It took only minutes for the big man in jeans to *replace the small* notice-board in the canteen at Concorde Informatics with a larger one. The simple job nevertheless marked both a lesson learned from a searching psychological study, and a turning point in the Huddersfield company's history.

Until then it had run as a loose association of people who knew their work and each other well enough to let internal communications look after themselves. Technical quality and swift service still dominated the concerns of the six founder-managers who, in 1985, transmuted the data-processing department of David Brown Corporation, the engineering group, into their own business, with a £100,000 contract.

Total turnover almost doubled that sum in the first year, and the payroll increased to nine. The corresponding figures for 1987, 1988 and 1989 were £960,000 sales and 11 staff, £880,000 and 13, then £1.65m and 20. "Our turnover target for the current year ending in September is £3.5m," says Bob Steventon, Concorde's 6ft 4in managing director and notice-board replacer. "The payroll's already up to 32."

Although the prime interest of the six founders was information technology, one had qualified as a chartered secretary. "So he dealt with the financial side," the MD adds, "and marketing was something all of us did as we went along. As admin work grew, we took on people who could handle it largely on their own."

When the payroll neared 20, however, some of the former cohesion seemed to get lost. For example, admin staff clashed with consultant colleagues who, knowing clients well, tended to mingle profes*sional advice with general chat* over the telephone, without noting how much of the call should be invoiced as work.

The founders began to suspect that there was more to managing people than their common sense policy of showing that employees loyal to Concorde's aims could be sure its bosses would be loyal to them. The technical director mentioned the issue to a friend who worked at Huddersfield Polytechnic with Nicky Hayes, a psychologist interested in organisational cultures.

Her experience told her the company was suffering from a problem that besets many growing businesses, especially those run by technical specialists: "Early on, staff/management troubles are rare. Everyone's part of the team. Communicating with bosses and colleagues is done face-to-face.

"But a firm can quickly reach a size where informal links aren't enough. Established staff keep them up to some degree, although managers are busier and less accessible. On the other hand, later recruits feel distant from workmates who joined earlier, as well as from bosses, and often neither know nor seek out information the longer servers take for granted.

"The need then is for a structure with formal lines of communication. But, typically, founder-managers don't see it."

Soon Hayes, Steventon and his technical director were discussing how the polytechnic researchers could help to correct the structural flaw without weakening the company's commitments to technical quality and all-round loyalty.

An immediate danger was the "us-and-them" partitions *formal systems tend to create.* The challenge was to ensure that distinctions between Concorde and its competitors were seen by staff as more important than internal divisions.

Equipped with the broad plan agreed in the first discussion, the researchers carried out half-hour interviews with 16 assorted employees before returning to the poly to thrash out their proposals. "We did our best to avoid prescribing anything, because we wanted the company's people to feel they were the owners and not the mere objects of the actual changes," Hayes explains. "The directors helped in that by distributing our report to everyone working for them.

"Even when we went into detail, we suggested options rather than making a specific recommendation."

The report outlined a two-pronged strategy to neutralise the threat of us-and-them divisions. Moves to build social cohesion internally needed to be combined with measures to mark off Concorde from other organisations by giving it a clear identity.

To improve cohesion, the polytechnic team suggested that procedures be designed so that administrative, technical and sales staff met one another often. But the researchers believed working-day contacts alone would not be enough.

The interviews had shown that the longer serving staff felt that purely social meetings between employees were frequent. *Later recruits saw them* as virtually non-existent. So the polytechnic advised the directors to promote social events outside of office hours.

A variety of suggestions was tabled for strengthening the company's identity. One was that its commitment to technical quality and all-round loyalty should be enshrined in a formal statement of values.

Another was to pick out incidents in Concorde's brief history that might be assembled into a company "folklore." For example, when it won its first big contract – for £250,000 – Bob Steventon photocopied the cheque and sent a replica to everyone on the payroll.

A third identity-builder emerged from the interviews with employees. When describing how their working methods differed from those used elsewhere, several had spoken of "The Concorde Way." The researchers advised that the phrase should be made into the company watchword by using it, for instance, as the title of an internal newsletter.

"But apart from discussing the report for an hour and a half with the managing director and his marketing and technical colleagues, we went away and left them to it," Hayes adds. "You see, the poly's aim was to develop a programme for improving staff management that small businesses will pay for. Since they count every minute as precious, we couldn't afford to dally. The total working time Concorde put into our inquiries was 15¼ staff-hours."

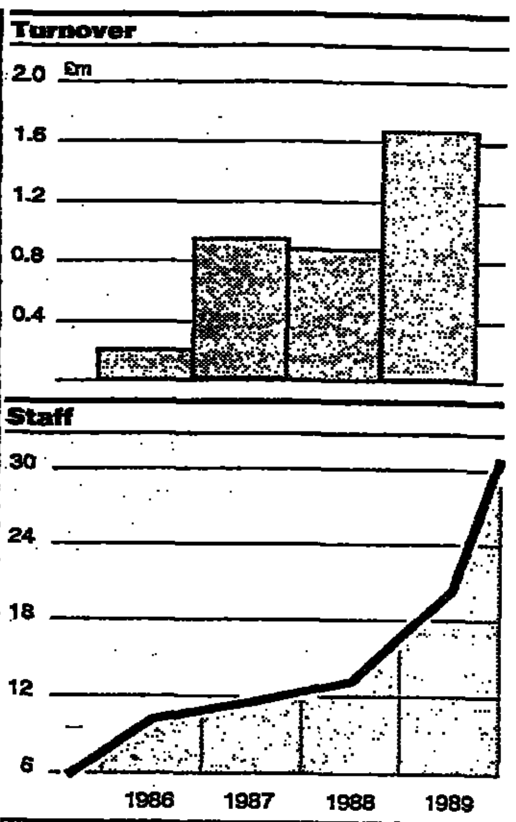
Bob Steventon, for his part, thinks the exercise was well worthwhile, especially since, in return for acting as a guinea pig in the development of the programme, the company was not charged for the polytechnic team's services. "It certainly highlighted an area of management we hadn't previously been aware of," he says.

"Whereas I gave little or no consideration to people issues before, I now spend a good 25 per cent of my time on them. And of the options the researchers suggested, the ones we took up have proved largely beneficial even though not all of them have worked as we wanted."

An example is the internal newsletter, which the MD is scrapping because it fosters only one-way communication. Instead he is going to set up regular office-hours meetings.

The enlarged notice board, on the other hand, is staying. "That's definitely earned its keep because, even though people don't make all that much *use of it, at least they don't* come to me complaining they've nothing to pin things up on."

Bob Steventon: a bigger notice board



Ethnic entrepreneurship

Working in a Chinese way

Catering is no longer an automatic first choice says **David Spark**

For Winnie Yao, originally from Hong Kong, being in business in the UK is not the fulfilment of an ambition; it is the natural course to take. "Just as children in Britain grow up wanting to be prime minister, we grow up wanting to own businesses," she says.

Chinese people are beginning to apply in Britain the commercial energy which made Hong Kong exhilarating. They are switching from the restaurant trade into other fields. They see hard work as a prerequisite to achieving any business success and suggest that service is the hallmark of the Chinese approach.

Many however doubt whether Chinese people turn more naturally than others to running businesses. Rather, they feel that traditionally in Hong Kong, the alternatives have been unappetising.

Yao, who once worked for American Express, but now runs a Kall-Kwik print shop in Victoria, London, says that, since she has three young children, she decided definitely not to go into catering. She had no printing experience, but chose it because businesses always need cards, letterheads and sales leaflets. She borrowed money on the established Kall-Kwik franchise name and now invests her profit in new equipment.

Her accountant husband, Peter, has joined her full-time and they have a staff of five.

Yao says she has a lot of respect for English business people. "I don't think there is a division by nationality in approaches to business. It depends what you want out of life. If you work for someone, you can look forward only to a pension. If hard work is no bother, it is obvious you should own your own business."

Another advocate of hard work is John Man, a former laboratory technician and civil servant who has launched Britain's first Chinese building society office – based in London's Soho, and operating in association with Britain's biggest society, the Halifax. He had two partners and borrowed money from his mother, friends and "anyone who was prepared to listen. It was a hard struggle."

He stresses the Chinese commitment to hard work. "In the Chinese community, if the company you work for is busy, you stay behind to do the work. You know that, if the company prospers, you are likely to earn more next year. Whatever field a Chinese person is in, he is going to be very much committed to it.

"The way we manage businesses is more on a family basis. The staff would treat us as an elder brother or father, someone to look up to, not simply someone sitting behind a desk in another room.

"UK managers tend to stay where they are. I remember, in the civil service, promotion was very much a case of inheriting dead men's shoes. But I train people to manage the building society and open new branches, rather than being just another pen-pusher."

Alex Tien believes another characteristic of Chinese business people is that they are more aggressive.

Tien helped with a hamburger business while training in Britain as a chartered accountant. He then ran a travel agency in Los Angeles. Now he runs Sevencell, a London clothing importer, for his mother, a former teacher who set up factories making women's wear in Hong Kong and China. Business has trebled in the two years since he arrived.

In Hong Kong, he says, everybody works aggressively "and you are bound to be affected. In Hong Kong they don't have any dole. If you don't work, you don't eat."

It is typical of Chinese business people to work in more than one field. Alex Tien's Sevencell owns property worth a few million pounds while John Man is part-owner of a restaurant and aims to have one in every European capital.

Laurence Lee is a dentist with a surgery upstairs from John Man's building society. But when he lays down his drill every night at six, he walks round to a basement in Dean Street and becomes sales director at Gees wine warehouse. "I find it very stimulating to go out and meet people and forget all about dentistry," he says.

"I probably work about 15 hours a day, sometimes 16. I can be seeing a client at midnight. Chinese wives are very tolerant. But Sunday is definitely free. I am a church-goer, and it's a family day."

Gees is run by Jacky Leung, who arrived in Britain from Hong Kong 11 years ago and spotted an opening for a wine import and delivery service tailor-made for Chinese restaurants. For three years he worked as a chef and his wife as a secretary. They saved to buy a van and some wine.

Leung and Lee have now opened a restaurant in Tottenham; they thought one was needed there that working-class people could afford.

Tony Shang, an ex-Home Office researcher born in Singapore, is producer/director for Orientations, which began as a community group and now makes a regular Chinese magazine for Channel 4. Starting with a grant from the Commission for Racial Equality, it made Goodbye Chop Suey, a film advising young Chinese not to work in restaurants.

Shang questions any assumption that the Chinese are naturally qualified to be business people. He points out that Northern China, where the emperor looked down on traders, produced few. "The majority are from the south, not because they are a different type but because, I think, the way of life was more open to trade.

"The whole history of Hong Kong is based on trade. A poor man might begin as a coolie or cleaner, make good and start his own business. Only those who went to English-language schools had any chance of a white-collar job. For most Chinese families, the choice was between going into business or the sweat shop.

"We also have common traits with the Koreans and Japanese. We don't compartmentalize our lives. We don't say 'I'm here nine-to-five' but 'I'm part of this enterprise.' 'I *am part of this village, family,* business, rather than an exploited proletarian.'

"At Orientations, I feel we all work very hard. Once committed to a project, we know that what we lack in resources and money we can make up for by our own effort and time. We go in to work on Saturday and Sunday and get the job done."

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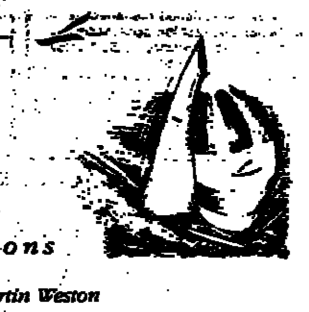

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Hasnip Brothers (Lincoln) Limited No. 2066657
Hasnip Brothers (Scunthorpe) Limited No. 2180410
Panel Manufacturing Limited No. 2282024
In receivership

Former company name: None
Trading name: None
Nature of business: Timber Merchants
Trade classification: 22
Date of appointment of administrative receiver: 21.3.90
Name of person appointing the administrative receiver: Midland Bank Plc
P.A.H. Powell and P.R. Copp
Joint Administrative Receivers office holder no(s) 6420 and 1788
Address(es): Stoy Hayward, Foxhall Lodge, Gregory Boulevard, Nottingham NG7 6LH.

MANAGEMENT COURSES / EXECUTIVE EDUCATION

COMPANY NOTICES

BOSTON INCOME INVESTMENT FUND, SICAV
Société d'Investissement à capital variable
R.C. Luxembourg B 28265

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of BOSTON INCOME INVESTMENT FUND, SICAV shall be held at the Registered Office of the Company in Luxembourg, 41, Bvd Royal on

Thursday, May 10, 1990 at 10 a.m.

for the purpose of considering the following agenda :

1. To receive and adopt the Management Report of the Directors and the Report of the Authorized Auditor for the year ended December 31, 1989.
2. *To receive and adopt the Annual* Accounts for the year ended December 31, 1989.
3. To release the directors and the Authorized Auditor in respect with the performance of their duties during the fiscal year.
4. To decide the appropriation of the earnings.
5. To appoint the Directors and the Authorized Auditor.
6. To transact any other business.

The resolutions shall be carried by a majority of those present or represented.

The shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the Registered Office of the Company at least 48 hours before the meeting.

By order of the Board of Directors
Camille J. Paulus
Director

BOSTON LIQUIDITY MANAGEMENT FUND, SICAV
Société d'Investissement à capital variable
R.C. Luxembourg B 28267

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV shall be held at the Registered Office of the Company in Luxembourg, 41, Bvd Royal on

Thursday, May 10, 1990 at 11 a.m.

for the purpose of considering the following agenda :

1. To receive and adopt the Management Report of the Directors and the Report of the Authorized Auditor for the year ended December 31, 1989.
2. *To receive and adopt the Annual* Accounts for the year ended December 31, 1989.
3. To release the directors and the Authorized Auditor in respect with the performance of their duties during the fiscal year.
4. To decide the appropriation of the earnings.
5. To appoint the Directors and the Authorized Auditor.
6. To transact any other business.

The resolutions shall be carried by a majority of those present or represented.

The shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the Registered Office of the Company at least 48 hours before the meeting.

By order of the Board of Directors
Camille J. Paulus
Director

BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV
Société d'Investissement à capital variable
R.C. Luxembourg B 28266

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV shall be held at the Registered Office of the Company in Luxembourg, 41, Bvd Royal on

Thursday, May 10, 1990 at 2 p.m.

for the purpose of considering the following agenda :

1. To receive and adopt the Management Report of the Directors and the Report of the Authorized Auditor for the year ended December 31, 1989.
2. *To receive and adopt the Annual* Accounts for the year ended December 31, 1989.
3. To release the directors and the Authorized Auditor in respect with the performance of their duties during the fiscal year.
4. To decide the appropriation of the earnings.
5. To appoint the Directors and the Authorized Auditor.
6. To transact any other business.

The resolutions shall be carried by a majority of those present or represented.

The shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the Registered Office of the Company at least 48 hours before the meeting.

By order of the Board of Directors
Camille J. Paulus
Director

BUSINESS OPPORTUNITIES

SEMINARS

Good jokes on thin ice

William Packer reviews current exhibitions in London

"Déjeuner sur la Vache," 1967, by Jiri Kolar

"Art: a Poem on the Ice" is the title of a collage in the exhibition, *The End of Words*, that now occupies the corridor and upper galleries of the Institute of Contemporary Arts (The Mall, SW1: until May 27 – supported by Visiting Arts and the Albemarle Gallery). It is one of many such, wry and ironical in concept as in image, in a celebration of the work of the distinguished Czech artist, Jiri Kolar, who is now 75. But this is no simple retrospective, for the period covered, from 1947 until 1970, is of Czechoslovakia under communism up to the Soviet repression of 1968 and its immediate aftermath.

Kolar is a surrealist, and an intellectual in the classic European sense, avant garde, political, *engagé*. Surrealism is as literary as it is visual a genre, and Kolar was always a poet, and always worked closely with writers and publishers. He seems not to have suffered undue suppression, able to travel and show his work, at least since the 1960s – how awful that sounds, as though even a little suppression were ever tolerable. But to be drawn into his work is to begin to comprehend the narrowness of the path he has trodden, and the necessary lightness and delicacy of his step – thin ice indeed.

Collage, the child of Dada and mother of Surrealism, so often seems the easiest, the most facile, of media. Once shown the way, anyone can follow, and what is the point? In truth it is the most naturally subversive, its very simplicity and directness, of means and application, the best cover of all. It only needs a master, with the wit to see it, to take the opportunity. Kolar is evidently such a master, with the nerve to make the simplest and, once made, the most obvious of statements, and call them Art. This too is very thin ice.

His refinement is such that time and again no more than one element laid upon another are necessary to establish the image and make his point. Sometimes, as in his running series of *rapportages* he does no more than offer the simplest lay-out, setting one element against another. The choice is all.

His jokes are always good, often very good, so many of them teased out of art history. Judas' kiss from Giotto becomes a rose; Manet so nicely travestied in "Déjeuner sur la vache." The effect of such nicety is only to make the more poignant images the sharper and more affecting, the irony the more wicked. In the work of the later 1960s, most of all the extended Diary sequence of 1968, such feeling, for all its apparent detachment, is at its most intense. "How will things be tomorrow?/ Bad, Mama, Bad" runs the caption to the fashion plate, the model close up, her face become a mask across which Breughel's blind man leads the blind.

Perhaps the ice should always be thin enough for the artist to feel the danger and sometimes, perhaps, even fall in. The German neo-expressionist painter, Georg Baselitz, has been pushing his luck for a long time now, and while it may yet be too early for the splash, we might hear some creaking and cracking if we listen carefully. His recent paintings and some drawings now fill Anthony d'Offay's three galleries (9, 21 & 23 Dering Street, New Bond Street W1: until May 15).

He continues with his convention, long ago become his personal cliché, of inverting the particular image – in this instance flocks of birds and disembodied heads or masks. His luck has been to make his reputation among the innocent, be they critic, curator or collector, by persuading them of the profundity of what was ever and only a studio trick to test the formal quality of a composition. "If it is any good, it will work as well upside-down," said the teacher, which is true, up to a point. Good luck to Baselitz.

But his early work had a certain integrity and formal strength, and beneath the later delusive hype there would seem to be a truly interesting painter still wildly signalling to be let out. The drawings are beneath any consideration, but these large recent canvasses are as interesting as anything of his in a long time. It is a back-handed compliment, unfortunately, for this very virtue, with its concomitant expectations, serves perversely to sharpen disappointment in them as they stand.

The figurative element is now so vestigial, or off-hand in its statement, as to be all but irrelevant, which condition frees the surface at last, as was perhaps always intended, from any straight-forward representational purpose. That surface is handled freely and confidently, the paint thick and lush in itself and the colour, too, rich and intense. With so little figurative commitment, the imagery, such as it is, is spread more broadly across the pictorial field, which achieves a certain compositional coherency that is all to the good.

But then how perfunctorily it is done: with confidence, yes, but also a positive lack of finesse in the handling that bespeaks a cursory contempt not so much for whoever might confront, even buy the masterpiece, as for paint itself and the act of painting. It is as though he cannot bring himself to care. On it goes, freely and confidently enough, but with a trowel, and where it sticks, it stays.

And yet how beautiful paint can be. Baselitz may still hint at it beneath the crassness, but two current shows by British painters, neither of them of general reputation though of long experience, make the full demonstration. Fred Pollock, at Vanessa Devereux (11 Blenheim Crescent W11: until May 5) is the more abstract, his canvases smaller than those of Baselitz but quite as simple and no less monumental, his elements of rich, bright colour laid upon each other with a true sense of physical celebration.

Terry Shave, at Anderson O'Day (255 Portobello Road W11: until May 5) is the more figurative, making romantic Turnerian reference to fire and flame, specific enough but yet abstracted and simplified. He handles his paint with a delicacy and discretion that a Baselitz might learn from, even envy.

Verdi, Szymanowski

FESTIVAL HALL

Sunday's Verdi Requiem, played by the London Philharmonic (unevenly) and sung by the LP Choir (very well indeed), was conducted by two people, both of them called Zubin Mehta. The first was a sensitive director of voices, particularly of solo voices – since Sunday's performance was led by a somewhat oddly selected quartet of soloists, this was particularly evident in the duets, trios, and quartets, which Mehta supported with great sureness and a natural feeling for vocal drama. The second was a chromium-plated vulgarian who drove the "Dies irae" into a horrid drum-loud noise, and who generally went for all the most obvious show-biz effects (crudely semaphored tempo changes, rubatos etc.) in all the Big Places. The one conductor tended to take over from the other without warning; it was most disconcerting.

In the ideal Requiem quartet, the four solo lines are chosen for their matching characteristics in style and vocal timbre, so that a balance between Verdi's devotional and theatrical aspects is truly struck. With the huge-voiced Paata Burchuladze lurching around the bass line (trying hard, but with unequal success, to keep in tune) and the dapper light-lyric Keith Lewis smoothly shaped to the tenor, there was not much chance of such balance here.

Between the two female voices – Florence Quivar, the steady, confident mezzo, and Alessandra Marc, the soprano – one detected greater stylistic concord, and so the "Recordare" at least was a tenderly turned passage. The enormously promising Miss Marc (replacing her fellow American, Susan Dunn, at short notice) proved far more in her element singing with orchestra than she had with piano in a recent Wigmore recital: in spite of one or two (excusable) accidents on high the voice soared, freely and glowingly. If only she could be persuaded to sing words, rather than verbal mush!

★

The previous evening there was in the same hall a different sort of drama created in music – brilliantly coloured, in great splashes of folk idiom enmeshed in fine, rich webs of exotic orchestration and elaborate harmonic patterns. This was Szymanowski's 1931 ballet score *Harnasie*, given complete with tenor soloist (Neil Jenkins) and chorus (the BBC Symphony's): it formed the contribution of the BBC Philharmonic Orchestra under Edward Downes to the South Bank's current Szymanowski series.

It is a marvellous score, irresistibly fresh and exhilarating, which marks one of the high points of the Polish composer's achievement in later, "nationalist" vein. The debt to the Stravinsky of *Petrushka* and Bartok of *The Wooden Prince* is clear; so, no less, is the success with which Szymanowski makes up his narrative – sophistication and naivety exactly mixed, tautness and economy of means underpinning all the colouristic revelry. The orchestra, which had earlier given honest, rather sober accounts of Ravel (*Mother Goose* Suite) and Sibelius (Seventh Symphony), warmed to Szymanowski excellently well. Why *Harnasie* is not more regularly played, by the big ballet companies not least, seems to me a total mystery.

Max Loppert

Orfeo ed Euridice

GRAND THEATRE, LEEDS

On paper there can have been few compelling reasons for Opera North to revive Philip Prowse's 1984 production of Gluck's opera: it was not much liked then, and time has not been kind to it. But the availability of Sally Burgess, some of whose greatest successes have been with the company (Amneris, Julie in *Show Boat*), for the leading role must have looked like reason enough, and so it has proved: her performance is of such piercing beauty and truthfulness that passing irritations with the staging are almost forgotten.

For a start, she is one of those singers – and they are alarmingly few nowadays – to whom words matter. Every consonant is there, pungently placed, yet without ever disturbing her feel for unbroken musical line that is as valuable here as it was with her Minerva in the ENO's *Ulysses*. What is more, she sings words – in this case Alison Truefitt's English version – as though they *mean* something, which they often do in opera. Indeed, the total fusion of word-and-note that she achieves so instinctively and effortlessly conveys with ideal immediacy one of the things that Gluck and Calzabigi were aiming at: the communication of the most profound human feelings by the simplest of means.

Miss Burgess's mezzo, a highly individual and sometimes controversial instrument (at least to those to whom smoothness and beauty is all), is currently in lustrous state. Her first, disembodied cry of "Euridice!" gripped the imagination with its suggestion in those mere five syllables (or four – the cast never quite made up its collective mind) of unimaginable pain. She is also developing a fascinating way of using miniscule variations of pitch to colour tone and so heighten expressivity, rather after the manner of Janet Baker (there are worse models), and the thrilling vibrancy of her tone at the top of the stave put one in mind more than once of an earlier Orpheus, Kathleen Ferrier (ditto ditto), especially in an account of "Che farò" that was at once a towering climax to a powerfully sustained interpretation and firm indication that she both understood and was wholly worthy of Gluck's genius.

But this was no one-woman show. Jane-Leslie Mackenzie's Eurydice fielded a soprano of equal lustre and purity and only marginally less verbal point: would that she had been allowed to sing the Blessed Spirit's Air as well. Both she, one of two Eurydices (the other a *figurante*, leading to the impression that the tensions of the third act were a simple case of mistaken identity), and Claire Daniels's accomplished Cupid fell victim to the over-busy production of a work whose whole point is its "beautiful simplicity." Ideally the staging should have been fined down within Prowse's handsome set, the extras and the "ideas" jettisoned, and the chorus brought down-stage where they were needed: neither they nor the orchestra struck their expected form until well into the third act (conductor: Clive Timms). The version used is based on Berlioz (there is no interval), but with a central performance as thrilling as Miss Burgess's, problems of text pale into insignificance. Gluck cannot help winning.

Rodney Milnes

Alice's Diner

BUSH THEATRE

Ben Benison, Roddy Maude-Roxby, Michael Mulkerrin and Jeremy Stockwell

Improvisation is a tool of the actor's trade which, barring accident or amnesia, is normally left behind in the rehearsal room. There is something faintly disconcerting about seeing it scattered around the stage as it is by Alice's Diner Theatre Company, a group that has risen from the long cold ashes of the Royal Court-based Theatre Machine.

There is also something immensely endearing about watching the grizzled Theatre Machine stalwarts Ben Benison and Roddy Maude-Roxby opening themselves up once again to the perils of such an apparently unstructured form.

They work here with two younger recruits, Michael Mulkerrin and Jeremy Stockwell, within the scenario of a restaurant preparing for the evening's business. Through a dizzying process of free association, the tables, chairs, cloths and cutlery are whisked into significances far beyond the confines of the eponymous Alice's Diner, evoking the formalities of samurai, or signalling the spontaneity of jazz percussion in a mixing routine of measuring spoons, whisk and squeaky plastic potatoes.

The show is at its best when its elements are given time to infuse and develop. A vaguely suggested rivalry between two young waiters, for instance, is hilariously sublimated in a Chaplinesque "aggression session" in which one persecutes the other with the subliminal sadism of table service, scrunching plates down on his fingers or, in a later variation, practically killing him with waiterly kindness.

There are echoes of Monty Python's "Spam" sketch in this absurd subversion of the ordinary, and indeed the Python's shadow loops itself round many of the most cruel and quirky ideas – a dead elephant fashioned from five aluminium air vents, or a masked intruder from whose coat-sleeves pour gallons of stolen cutlery.

But there are also times when the associations do not come so freely, and the evening limps from sketch to sketch without a backbone to give co-ordination or any sense of direction, leaving the theatre-goer with a sense of watching a process rather than a product, or of having happened on an in-joke the point and punchline of which are known to everyone but oneself.

Aficionados of Theatre Machine will find much to amuse, but for most I suspect the absence of script will merely serve to make the heart grow fonder.

Claire Armitstead

Not Fade Away

THEATRE ROYAL, STRATFORD EAST

Grace, who is 79, leaves the torpid old-people's home in which she has been confined and returns to the Forest Gate area she knew in childhood and long married life. A staunch believer in the brotherhood of man, she befriends a black family, becomes its "gran" and feels herself – after 18 years in the home – reborn.

Barrie Keeffe's new play is shrewd to make all this comic. It is also a play with music; Bonner (Paul Barber), the man of the family which adopts her, is the singer of a black band. Grace, a pub singer of old, gamely joins in. She's the kind of resilient, optimistic, liberal, bawdy old girl in whom we're only too happy to believe. The role is an appropriate vehicle for Miriam Karlin. Her tones are as abrasive, (nasal and chesty), her spirit as gutsy, as ever. But the play soon becomes soft-centred. It wants to make Grace not real, merely adorably amazing.

And it uses its music as just another means to give us good vibes about its characters. So forward- looking is Grace that she seems to know no song older than the Beatles' "Money Can't Buy Me Love;" and, of course, her choice of songs is entirely liberal. Blithely she leads Bonner's band in Joan Armatrading's "I'm Lucky."

The play's story leads Grace into trouble but then tritely dissolves it at the end, when all the characters – policemen and all – return to sing "You Can Get It If You Really Want." Too comforting, folks, too easy.

It is, however, worth waiting as the houselights rise at the end, when the instrumentalists carry on playing that last song. Then, for the first time, we're given some real spirit and flair in musical terms. Elsewhere, we're never sure what music means to these people. Paul Barber's Bonner, singing or speaking, is slack and under-powered.

If the play's realism was sharper and its characterisation more acute, it would be both more stirring and more funny. For this, Philip Hedley's direction deserves some blame. There's a hint of caricature about Grace. Karlin sings the way she speaks, and as she hangs relentlessly on to the notes, she sounds like a contralto Dame Edna and you want to laugh at that. But *Not Fade Away* just wants you to rejoice in her and to leave the theatre in a cosy, sentimental haze.

Alastair Macaulay

ARTS GUIDE

April 20-26

OPERA AND BALLET

Paris

Paris Opera. *Swan Lake* in Nureyev's choreography after Petipa and Ivanov with the Paris Opera Orchestra conducted by David Coleman and Michel Queval (47425371).
Théâtre de la Ville. Carolyn Carlson dances in *Light*, which is performed for the first time. She uses mythology to describe her quest for spiritual serenity (42742277).

Milan

Teatro alla Scala. Liliana Cavani's production of *La Traviata* opens this week, with Tiziana Fabbricini as Violetta and Roberto Alagna as Alfredo, conducted by Riccardo Muti. (80.91.26).
Teatro Nuovo. Luciana Savignano and the Scala Ballet Company dancing Robert North's *La Jeune Fille e la Mort*, Ben Stevenson's *Three Preludes* and Fokine's original version of *Les Sylphides*, adapted by Lynn Wallis (78.12.19).

Rome

Teatro dell'Opera. Franz Lehar's *Merry Widow* in a new and lavish production by Mauro Bolognini conducted by Daniel Oren. Raina Kabaivanska and Daniela Mazzucato lead the cast. (46.17.55).

Barcelona

Gran Teatre del Liceu. Friedrich Haider conducts Richard Strauss's *Ariadne auf Naxos* in a production by the Oper der Stadt Koln. Cast includes Mechthild Gessendorf, Edita Gruberova and Trudeliese Schmidt (318 92 77).

Berlin

Opera. *Katja Kabanowa* is conducted by Jiri Kout with Karan Armstrong, Ruthild Engert, Patricia Johnson, Warren Ellsworth and David Griffith. *Hoffmanns Erzählungen* in Gian Carlo del Monaco's production has fine interpretations by Faye Robinson, Neil Shicoff and Michael Burt. *Fidelio* stars Gwyneth Jones.

Hamburg

Opera. *Romeo et Juliet* has John Neumeier choreography. *Arabella*, expertly conducted by Heinrich Hollreiser, has a strong cast led by Lucia Popp, Olive Fredricks, Hellen Kwon, Dieter Weller and Knut Skram. Harry Kupfer's controversial new *Tannhäuser* production is well sung by Guenter Neumann in the title role, Linda Plesch, Waltraud Meier and Andreas Schmidt. Further performances of *Faust's Verdammnis*, sung in French with Delores Zeigler, Keith Lewis,Jean-Philippe Lafont and Harald Stamm.

Cologne

Opera. *Manon Lescaut* has Ljubov Kazarnoskaya in the title role. The Deutsche Oper Am Rhein ballet dances *Giselle*.

Frankfurt

Opera: William Forsythe's successful ballet *Limb's Theorem* is again offered this week. Schoenberg's *Moses and Aron*, produced by Herbert Wernicke, conducted by Frankfurt's musical director Gary Bertini, will have its premiere this week, with Gerhard Faulstich as Moses and William Cochran as Aron. *Ariadne auf Naxos* convinces thanks to Helena Doese, brilliant in the title role.

Stuttgart

Opera. Philip Glass's opera *Achnaton*, composed for the Stuttgart Opera, is a deliberate break from the American tradition, not only in its choice of the young Egyptian pharaoh as main figure but also in the corresponding use of African and Asian musical forms. The title role is excellently sung by the counter-tenor Paul Esswood. Also offered *Tosca*. *Lohengrin* with Eva Randova and Toni Kraemer, as well as a Ulrike Sonntag Lieder recital.

Munich

Opera. *Salome* in August Everding's production has first-rate cast led by Brigitte Fassbaender, Josephine Barstow, James King, John Broecheler. Von Einem's rarely played Dantons Tod proved a sensation when it opened in Johannes Schaaf's production with Annegeer Stumphius, Maria Hausmann, John Broecheler and Alejandro Ramirez. Guest ballet performance of the Lausanne Béjart group. Also a Tchaikovsky-gala to commemorate the 150th anniversary of his birth with choreographies by Cranko, Balanchine and Petipa.

New York

Metropolitan Opera. The week includes a complete series of performances of James Levine conducting Otto Schenk's production of the Wagner *Ring* Cycle, but starts with *Götterdämmerung*, completing the first of the three cycles this season, and starts over with the second performances of *Das Rheingold*, *Die Walküre* and *Siegfried*. James Levine also conducts the last seasonal performance of Franco Zeffirelli's new production of *Don Giovanni* with Carol Vaness and Samuel Ramey, Karita Mattila and Jerry Hadley. Julius Rudel conducts John Cox's production of *Il Barbiere di Siviglia* with Kathleen Battle and Jon-Henrik Rootering. The Opera House at Lincoln Center (362 6000).
New York City Ballet. With a repertory still heavily steeped in Balanchine, the company features a festival of Jerome Robbins's ballets in the middle of the season, which lasts till July 1. New York State Opera House, Lincoln Center (870 5570).
Paul Taylor Dance Company. A month of mixed repertory from this classic and popular modern company. City Center (246 0102).

Washington

Rudolf Nureyev Farewell Tour. Charles Jude and members of the Paris Opera Ballet and Royal Ballet join Nureyev in a mixed programme (Mon). Kennedy Center Concert Hall (467 4600).

SALEROOM

Pop forecast over the top

Once again Phillips was caught out yesterday by offering wildly optimistic estimates. It had persuaded David Howery, who had accumulated by far the largest archive of material relating to Buddy Holly, to sell it through its London W2 auction room, by forecasting an anticipated total of £500,000. In the event there was minimal interest and the sale brought in just £33,000, a depressing start to the week of pop memorabilia auctions in London.

There were hopes of selling Buddy Holly's stage suit after the sale for around £15,000 (as against a top estimate of £40,000), but there were no takers for the guitar that Holly had given to comedian Des O'Connor and which carried an estimate of up to £60,000. The actor Paul Hipp, who plays the role of Buddy in the musical of that name currently on in London, paid £1,650 for a postcard that the singer sent to his sister from London in 1958 in which he complains of the cold weather. The top price was the £5,050 paid by the Hard Rock Cafe of London for a handwritten contract signed by Buddy Holly and dated 1954. Another buyer was Warwick Stone representing Hard Rock Cafe, Los Angeles, who secured a Buddy Holly postcard sent from Hawaii for £1,480. Hard Rock is opening a restaurant in Hawaii soon.

The tribal art market has marked time for much of the last decade. What it needed was the appearance for sale of a really good collection to stimulate the few big buyers. This happened at Sotheby's in New York on Saturday when one of the finest collections of African art ever assembled, by Harry A. Franklin, was dispersed. It made a record $7.14m, and also achieved a record for an individual item of tribal art when the "Bangwa Queen" sold for $3.41m (twice its estimate) to a private collector.

This is a very famous piece. It was acquired early, in the late 1890s, by the German explorer Gustav Conrau, one of the first white men to encounter the grasslands people of the Bangwa kingdom in the Cameroons. In the 1930's it belonged to the great tribal art collector Helena Rubinstein and was famously photographed by Man Ray being clutched by a naked model, emphasising the sexual power in the dancing figure. In contrast the male figure, which is reckoned to be carved by the same hand and to represent its counterpart, only made $330,000, at its low estimate, to a Japanese dealer. Both are royal ancestor memorials.

Antony Thorncroft

FINANCIAL TIMES
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Tuesday April 24 1990

The triumph of politics

IN WHAT is the opening round in the campaign for the all-German election, Mr Helmut Kohl's Government appears to have conceded to East German pressure almost across the board. But appearances are deceiving. There is less to these concessions than meets the eye. They are neither as large as the East Germans hope nor as expensive as the West Germans fear.

Chancellor Helmut Kohl's coalition government is offering to convert personal cash and savings of up to 4,000 East German Marks (£1,450) at one-to-one, this being twice the amount proposed by the Bundesbank several weeks ago. Savings above 4,000 East German Marks are to be swapped at two-for-one, while the debts of East German companies are to be converted at two-for-one.

Wages are to be converted at one-for-one, but they will not be raised to compensate East Germans for the higher prices of basic necessities. Meanwhile, pensions are to be related to East German wage levels, with workers getting a maximum of 70 per cent of their final net income.

More demands

These proposals will not be the end of the debate. The East German Government will demand more, including the exchange of all savings at one-for-one and compensation for the increased prices of necessities that will follow unification. It may obtain more generous treatment than that now offered. Provided it does not, the proposed outcome should be no catastrophe.

At the end of 1989, the savings of East German households were worth 176bn East German Marks (from which their borrowings, amounting to some 26bn East German Marks, should be deducted). Against these liabilities must be set East German government assets, the most valuable of which are state enterprises and the land itself. It should be noted, in this context, that the rate at which enterprise debts are converted is unimportant, except as financial engineering, since their entire value will accrue, in any case, to the German successor state.

If all East German savings were converted at par, they would be worth DM176bn. Under Mr Pöhl's proposal of a few weeks ago they would have been worth around DM100bn. Under the proposals announced yesterday they would be worth around DM120bn, which would at worst increase West German central government debt by a quarter, or around 5 percentage points of gross national product.

DM120bn is less than 10 per cent of the West German money supply and itself no great inflationary threat. Furthermore, this sum would amount to no more than DM10,000 for each adult East German. Since this represents virtually all their wealth (except for that in their pensions) and is to be made safe against inflation, East Germans are most unlikely to spend it all.

Wage adjustment

Far more important than tidying up the balance sheet of the East German state is the future level and structure of East German wages. But, here too, the defeat for the Bundesbank is less significant than may appear. The Bundesbank had suggested that East German wages should be adjusted upwards for the coming price increases, before the conversion. The Government now proposes conversion at a higher rate, but without adjustment.

What will prove decisive is not where East German wages start, but how they adjust to market forces. The Bundesbank felt, probably rightly, that the adjustment would occur more easily if there were to be an increase in nominal wages from a low base, rather than the other way round.

Converted at one-to-one, East German wages would start at around 60 per cent of West German levels, when their productivity appears to be considerably less than that. If nominal wages prove as sticky in East Germany as they have long been in West Germany, the one-to-one conversion may lead to permanent unemployment for a significant proportion of unskilled East German workers. That would be no triumph for politics, but a disaster born of populism and shortsightedness.

Predators in retreat

THE DECISION by Sir James Goldsmith's Hoylake consortium to abandon its assault on BAT Industries may not come as a surprise. But like the appearance of former Drexel Burnham junk bond trader Mr Michael Milken in Manhattan Federal Court today, it raises questions that will not go away in a hurry. Do these events mark the symbolic conclusion of an exceptional, and unrepeatable, episode in financial history? Or have the predators and junk bond financiers of the 1980s so changed the world that things will never be the same again?

Financial excess has always been a cyclical phenomenon. What occurred in the junk bond market in the 1980s will inevitably find an outlet in other markets at some point in the future. But there seems little doubt that the political climate has shifted significantly in the United States against contested takeovers and that a change of government in the UK would bring about a similar change in attitudes. The problems of BTR in its contested bid for the US industrial group Norton are symptomatic.

So much the better, will be the attitude of many on both sides of the Atlantic. Even for those who are convinced of the merits of contested bids it has always been much easier to fathom what Sir James Goldsmith and his kind will take out of a company than what they are likely to put in. Moreover, frenetic takeover activity involves high transaction costs and heavy disruption. The West German and Japanese experience, meantime, suggests that there is no correlation between an active takeover market and high rates of economic growth.

Compelling case

The case for financial engineering is at its most compelling in relation to the very specific problems of cash-rich declining industries. It seems probable that the sudden vulnerability of companies like BAT, Allied Lyons and RJR Nabisco in the late 1980s has subjected all management in the brewing and tobacco sectors to a much greater degree of accountability to shareholders. The trend towards a tighter focus on core businesses is by now well established in these industries.

There are other sectors such as commercial banking where predatory activity might provide an antidote to abysmal management were it not for the entrenched opposition of central bankers to contested takeovers. More generally, the system has provided greater incentives for building conglomerates than dismantling them. That is equally true of the much vaunted West German system; and it remains to be seen whether such conglomerate moves as Daimler-Benz's leap from automobiles into aerospace will prove any more manageable than comparable takeovers in the US and UK. As for the predatory activity that currently surrounds Vickers it serves as a reminder of the common strategic problem that faces victims of nationalisation that choose not to hand back the cash proceeds – though it is not clear that conglomeration, whether at Vickers or anywhere else, necessarily entails poor management or inadequate returns.

Ownership discipline

The big problem for industry in the English-speaking economies is a loss of competitiveness in world markets. The key to regaining competitive advantage must lie in the creation of a healthy climate for innovation and investment. Yet the linkage between ownership discipline in open capital markets and innovation is exceptionally imprecise and there are grounds for suspecting that the discipline is indeed dangerously short term. A striking feature of many of the more significant technological advances and their financing in post-war Britain is how often success has been achieved under the umbrella of private or restricted voting ownership structures – witness Pilkington's float glass process, Reuters' dealing systems or 3i's dominant position in venture capital.

One conclusion might be that growth industries require different forms of ownership discipline than declining industries. But if that is true, the anti-takeover legislation that is now sweeping the United States is too crude by half as a remedy for takeover excess.

FT writers examine the long and painful process of restructuring at International Business Machines

Small earthquake: IBM slightly hurt

THE sleepy hamlet of Armonk in upstate New York is the unlikely home of International Business Machines, "Big Blue", the world's largest computer manufacturer. Situated on the crest of a low hill, the modest, three storied building hardly lives up to the name "Galactic Headquarters" by which it is known to IBM watchers around the world.

Yet Armonk is the epicentre of a corporate earthquake shaking up the way IBM does business and challenging the assumptions of IBM staff in every one of the more than 130 countries where the company operates.

For several years IBM's corporate well-being has been in need of both self-examination and radical surgery. This had been precipitated by the feeling that the world's most self-sufficient company had become bloated, bureaucratic and arrogant. Add to that IBM's disappointing results over the past four years, and the task facing Mr John Akers, the company's chairman and chief executive, when he assumed control in 1985, was vast.

The Akers initiative involved five restructuring measures, each of which has resulted in upheaval and trauma. They are:

- Cutting total staff without redundancy.
- Eliminating bureaucracy
- World-wide decentralisation
- More collaboration with software companies, systems houses and customers in solving business problems
- Concentrating on particular market specialisations

This year, IBM's top executives are hoping to see the first real signs of healing, a process which has involved tackling the company's deeply conservative corporate culture and ultimately making it more responsive to its customers and the market.

By Alan Cane, Roderick Oram, Louise Kehoe and Ian Rodger

The early indications are encouraging: worldwide revenue for the first quarter of this year totalled $14.2bn, up 11.4 per cent on the same period last year, while pre-tax earnings were $1.827bn, up 12.4 per cent on the first quarter of 1989. Mr Akers remains cautiously optimistic: "Our strategy of listening to our customers and improving the competitiveness of our products and services is working."

This minor upturn must be set against the disappointing performance of the previous four years. In 1989, sales growth was a mere 5 per cent, for example, about half the industry average, compared with 28 per cent between 1983 and 1984. Earnings per share in 1984 totalled $10.77; last year, the figure was $6.47.

This was a far cry from the heady early 1980s, when Mr Akers' predecessor, Mr John Opel, vowed that the company would grow at the same rate as the industry in every sector in which it had competition, and that it should aim to become a $100bn company by 1990.

IBM's poor record between 1986 and 90 must also be judged in the context of an industry undergoing structural changes more profound than any since its emergence in the 1950s. All traditional mainframe and minicomputer manufacturers have seen their margins eroded by technological advances which are changing the cost structure of the industry. Wang of the US, Nixdorf of West Germany and Norsk Data of Norway are the best known victims.

It has been left to young and nimble companies, like workstation manufacturer Sun Microsystems or software publisher Oracle Corporation, to exploit the latest advances and show that high technology can still mean high growth and profitability.

Yet in some ways, IBM's problems are unique. Its revenues from information technology last year topped $60bn, almost $50bn more than its nearest competitor. Its pretax profits at $6.6bn, down 26 per cent on the previous year, were still greater than Apple Computer's sales for the year.

So is IBM just a giant among computer makers, but an increasingly slow moving one?

The implications of IBM's lacklustre performance go well beyond the fate of just one company, however large; the measures it is taking have a significance well beyond a business school study of a turnaround strategy. Its personal drama is being played out against a backdrop of globalisation of trade, deregulation and the continued rise of the industrial powers of the Pacific Rim.

IBM has been the bell-wether of the US computer industry, its success tied to its well-honed ability to dictate the terms and conditions on which the data processing market operates world-wide. Now that omniscience is under threat from three directions.

First, the traditionally homogeneous computer market is fragmenting into a series of niche markets each with its own market leader.

Second, the Japanese drive into computers is continuing to eat into IBM's market share in mainframe systems and undermine its credibility as market leader. The Japanese understand well that computers and semiconductors are not only important as industries in their own right, but as the driving force behind the technical growth of many other industries. That is why excellence in information technology is one of their principal industrial targets. IBM has been the US information technology industry's chief bulwark against Japanese computer manufactures' increasingly powerful penetration. In 1971, Japanese manufacturers held less than 4 per cent of the world computer market. Today, Japanese companies occupy third, fourth and sixth positions in the world league.

Third and most important, the customer has changed irrevocably. Much of IBM's success in the past has been due to the close ties it built with company data processing managers, individuals whose career advancement often depended on IBM's approval and who were thus in thrall to Big Blue.

With the emergence of departmental computing and personal computers, data processing has become a business tool, an opportunity for competitive advantage, as much as a utility. A consequence has been that decisions about data processing investment are examined much more closely by company boards whose members owe no allegiance to IBM.

IBM's response to this challenge has been to attempt to turn itself from a blue whale into a lean but friendly octopus, with the Armonk headquarters at the centre of a complex network of relationships with customers, software and services companies – and even with competitors.

It has implemented over the past four years a programme of reform and reorientation that goes far beyond conventional business turnround strategies; in the process it has changed the company from a technology-driven to a customer-driven orientation.

This has involved some changes of perception that would have been unthinkable a decade ago. In short, IBM, more used to setting the pace than following the herd, is telling its staff that it may be the biggest computer company in the world, but that it is not the best; and that many of its products and services are mediocre.

Most unsettling of all, staff are being asked to come to terms with the notion that IBM, virtually a byword for discretion and self-sufficiency in the past, now needs not only to create synergy through partnerships and associations with other companies but welcomes the opportunity to communicate with the non-blue world.

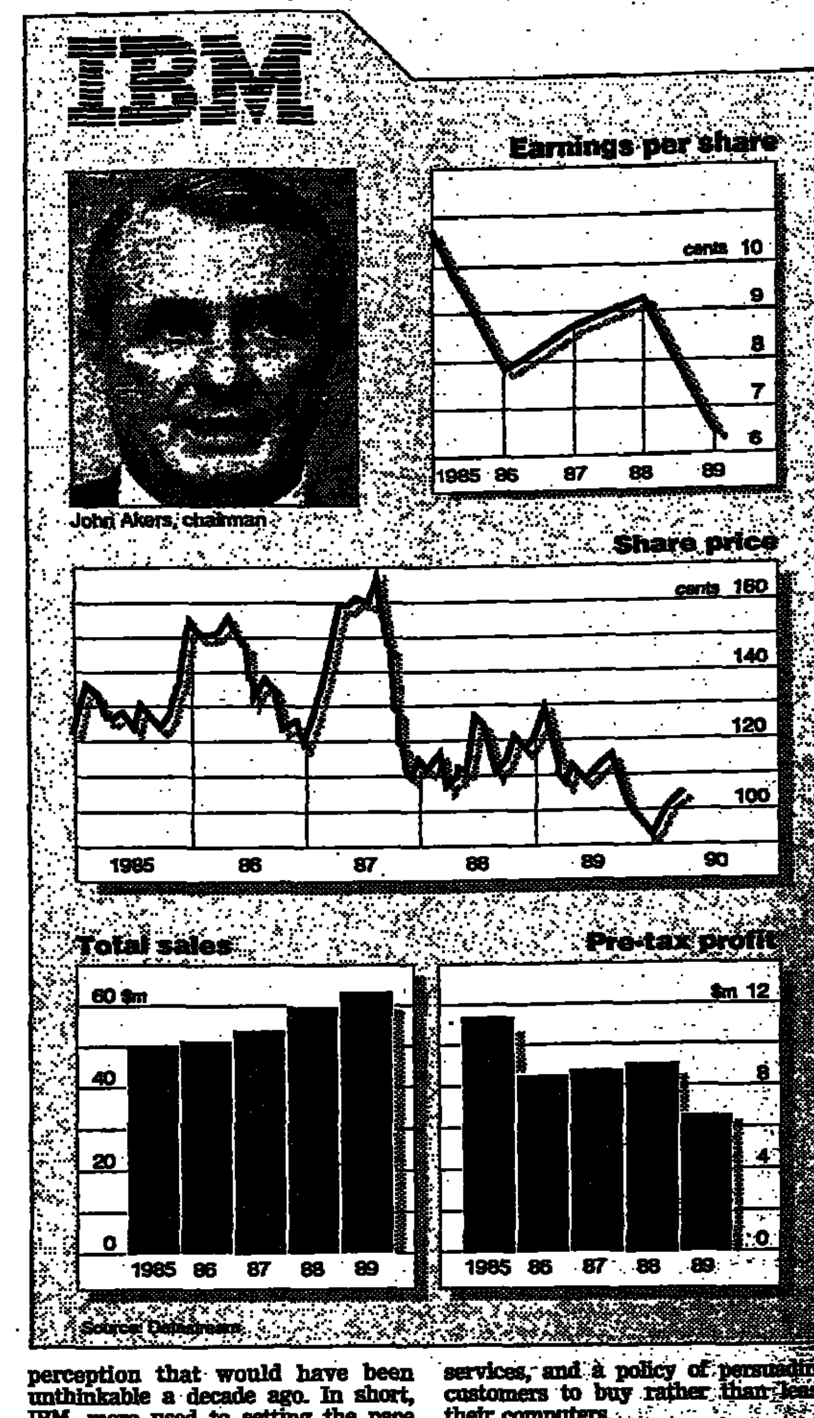
Thus, Mr Jack Kuehler, IBM President, says: "We are trying to take advantage of other people's ideas in a way we have never done before."

IBM's reluctance to listen to outside ideas had been reinforced in the early 1980s by years of record sales and profits. IBM, for instance, had been benefitting from its entry into the personal computer business where it quickly became market leader, solid growth in revenues from software and services, and a policy of persuading customers to buy rather than lease their computers.

When Mr Akers took over as chairman, in 1985, it quickly became apparent that "things were going south," as Mr Douglas Sweeney, IBM's chief corporate strategist put it. When the conventional response of corporate belt-tightening proved inadequate, Mr Akers began the larger job of restructuring the company for the 1990s.

Understanding what had gone wrong involved a prolonged period of analysis in which IBM asked its own staff, outside consultants and its larger customers to tell it where it was failing.

The analysis made sobering reading. Applications software, software to solve business problems, was in poor supply, methods for automating the development of application software were inadequate, computers were proving difficult to connect or integrate and systems were hard to use. Most significant, customers were finding it hard to justify their investment in information technology.



Introspection came to an end abruptly on December 31 1987 when Mr Akers apparently told his colleagues: "No more diagnoses. Now let us focus on execution." His initiative involved several measures designed to restructure IBM from top to bottom.

First, IBM is reducing its workforce gradually from 407,000 in April 1986 to a planned 373,000 by the middle of this year. It will achieve this through a combination of attrition and and incentives to encourage early retirement. Some 53,000 administrative jobs have been eliminated as a result of the retirement programmes and the redeployment of administrative officers into line jobs, IBM says.

Second, it is creating a line-of-business (LOB) structure within the organisation under a new division, IBM United States, aimed at eliminating bureaucracy and to provide logical groupings for IBM's huge range of products.

Third, IBM is devolving power away from Armonk. IBM branch managers have been given a new and unfamiliar responsibility for dealing with customers and setting prices.

IBM Europe, which has been devolving power to individual countries, provided the model; IBM Italy, the working example. Mr Sweeney says: "In Mr Ennio Presutti who runs IBM Italy you will find somebody measured on his revenue and profit performance. He has been in the job 10 or 12 years and that brings continuity and perspective". IBM managers used to joke that the company's initials stood for "I've Been Moved".

Fourth, it has launched a broad-based campaign to collaborate with software companies, systems houses and customers to help them develop applications software to solve business problems. The partnerships involve a range of commitments from equity stakes (for instance in Intel which builds the main microprocessor in its personal computers) through to providing facilities to test their products.

Finally, IBM has introduced a policy of concentrating on particular market specialisations. It has established a small working group to identify and help finance projects which offer outstanding commercial potential. One example is a retail banking system which IBM is building in collaboration with National Westminster Bank involving IBM's new proprietary database system DB2.

To date, competitors, never short of respect for IBM's marketing muscle, say they have noticed little change apart from heavy pressure on margins as IBM salesmen – freed from control from Galactic Headquarters – discount heavily to win business. Some are openly doubtful of IBM's ability to take on, say, Andersen Consulting or Electronic Data Systems, as a "systems integrator", putting together hardware and software from different manufacturers to meet their customers' requirements.

But the Blue Whale has begun its metamorphosis. Mr Pierre Hessler, director of marketing and services, says three serious questions remain: "The first is, how well are we going to do what we have set out to do. The second is how we compete with the Japanese manufacturers. And the third is how we position ourselves in professional services and our relationships with the big consultants."

IBM's competitors will be watching the struggle anxiously but with some resignation: Mr Vittorio Cassoni, managing director of Olivetti of Italy and once an IBM executive, points out that the problems in the industry are the same for all the big computer companies: "The difference between IBM and the rest of us is that IBM has more time to resolve the problems from which we are all suffering."

This article is the first in a series which will continue on tomorrow's Management Page.

OBSERVER

A view of Tunisia

■ We went to Tunisia for a week, basing ourselves at Djerba la Douce, the garden island just off the coast to which the Romans long ago built a causeway from the mainland. It is a gentle place, as its name suggests, but now giving way to tourism. I was just thinking that the country had handled this well, when I read a stern article in the Tunisian press complaining that the island was being destroyed by development.

Since the Tunisian press is fairly strictly controlled, there must be an argument going on in the background. As an outsider, it seems to me that the practice of cutting off small parts of the island for hotels with their own grounds and beaches is infinitely preferable to allowing higgledy-piggledy growth, and that there is nothing wrong with replacing some of the sand dunes with tennis courts.

Some people scarcely leave the confines of the place where they are staying. Others simply make the occasional excursion on a bicycle, so there is no question of the tourists overrunning Djerba. On the other hand, one or or two developments may be getting out of hand. A Go-Kart track is being built on one of the tips of the island, next to the lighthouse. Thus perhaps it is just as well that a few warning signals are being sounded. Djerba should not become a mini-Daytona Beach.

We stayed at the Club Méditerranée, not least because it provides one of the best ways of visiting a developing country on holiday. If you want to go for a ride on a camel, the Club will produce the camel. And if you want to go off to the interior, it will be arranged, Land Rovers, drivers and all.

Suitably equipped, we took the children to the fringes of the desert, to show that it exists just as the geography books say. As it happened, there was a series of April showers throughout, some of them quite heavy, like there used to be in England. At the end of the day, there was a huge rainbow all across the sky. Perhaps the geography books are wrong.

French success

■ The Club Med is one of the great French international successes. It seeks to carry French standards, mainly of cuisine, to a wider audience. Nevertheless, there can still be national frictions. For the winter season, the Club in Djerba said that the two languages were French and German. The Germans complained strongly that German was not being taken seriously. By this time of year, English and Italian have been added to the list. The Germans are still unhappy that hardly anyone speaks their language properly and prefer English to French. The French tend to regard the Germans as kill-joys. But since the latter were outnumbered by about nine to one, the French were content. The Italians keep to themselves.

Market economy

■ The discovery in Tunis was the size of the informal economy. A friend who took me round the city explained that most of the official statistics are now wildly wrong because they do not take account of it. Street after street is now taken up with outdoor stalls selling all kinds of goods, very few of them really trashy. People cross the border from Algeria both to buy and sell.

Strictly speaking, these markets are illegal. When they started over 10 years ago, the police would have got away with it if they had knocked them down. They might have got away with it five years ago, but if they tried now there would be riots, even though the police force has been increasing in numbers.

"If it's Eurotunnel again, I'm not here."

My friend has an ingenious theory. He says that the people have recognised that the state has failed to deliver and have decided to create their own economy. One way of showing this is to look at the statistics on house-building. The official figures are quite low, but are belied by the plumbing statistics and the installation of electricity meters. There are about three times as high and suggest that people have taken to building houses on their own. The visible evidence bears this out.

In Tunis there is a market-place for second-hand cars. Again this is illegal (all cars in Tunisia are imported), but nobody dares close it down. On Sundays there is also a flourishing pets market, which the authorities have chosen to leave alone.

According to my friend, the key question now is how to turn the informal economy into the real economy, so that there will be some tax-take for the state and some guarantee for the consumer. No-one wants to buy a dud car, for instance, or a sick puppy without the possibility of redress. If this happens, there will have been an economic revolution.

Taped message

■ Another development that is eroding the authoritarianism of the state is the spread of tapes. Whether pop music, religious or even political propaganda, these sell in great profusion in the markets. Some of them are snapped up almost as soon as they appear. The authorities scarcely have the time or the means to keep up with them. And since the press is muzzled, it is the tapes which provide a sort of pluralism.

Indeed the most interesting section of the press, my friend points out, is the small ads. A French language Tunisian newspaper tends to stick to a fairly rigid formula: news of the Government, for the Government and by the Government, plus sport and entertainment. It is the small ads alone that reflect the vitality of the informal economy.

Philosophy

■ We dined with the headmaster of a private Paris lycée, which even in a bad year gets at least 85 per cent of its leavers into university. He said he attributed the success to insisting on teaching the elder pupils philosophy, a subject that has always passed us by.

What then was such a wise man doing at the Club Med, where any intellectual light is better kept under a bushel and even to mention the name Mitterrand is to provoke a shocked silence? "Everyone needs a period of banality," he replied. Now that is a truly philosophical remark. It may even be true.

LETTERS

Referendum needed on European political union

From Mr J.G. Bellak.

Sir, The suggestion in your editorial comment ("Europe's road to union," April 20) that "practically everything is negotiable including the precise definition of a political union" is naive.

The reality is that monetary union must ultimately lead to political union and that political union is, however it starts, bound to mean what it says.

When the United Kingdom joined the European Community this was rightly seen as a sufficiently fundamental constitutional issue to be referred to a referendum.

Should we not now recognise that "political union" is an even more fundamental constitutional issue and must be referred to a referendum? I make no judgment as to what the outcome should be but if ever the public has a right to be consulted on a policy by referendum, then surely this is it.

J.G. Bellak,
Tittensor Consultants,
Tittensor Chase, Staffordshire

From Mr Patrick Crowley.

Sir, Mr Christopher Whiteside, (Letters, April 6) in responding to Joe Rogaly's article ("Taking refuge on the world stage," March 30) appears to be confusing the issues.

That politics distorts the assessment of major economic issues is irrefutable: the only real issue for the present Conservative Government is whether the economic benefits of joining the exchange rate mechanism (ERM) of the European Monetary System (EMS) can be achieved before the next general election. To think that the decision would be taken on any other basis would be pure folly.

It is in this sense that Mrs Thatcher is not an enthusiastic European: to deny that the EMS has benefited its participants (as Professor Walters recently did) is to dispute the economic evidence. Mrs Thatcher has never disputed the evidence publicly. So once inflation becomes within reach of the European Community average, the decision can only be delayed on political grounds.

Another area where Mr Whiteside's logic appears to have deserted him is in relation to the sequential nature of the steps towards European monetary integration (EMU). Since the publication of the Delors report, the ERM is virtually unanimously accepted as the first step towards eventual monetary integration. If the ERM, suddenly failed to work, then the stepping stones currently proposed for achieving EMU would be immediately put in question. Whether EMU is desirable or not should be a different issue.

The point is that membership of the ERM is envisioned as a stepping stone towards whatever EMU eventually turns out to be. Hence I fail to understand how anyone could be in favour of EMU and against the ERM.

To use a simple analogy, it is like saying you like milk products but hate yoghurt – this is illogical. It is however possible to like yoghurt but hate all other milk products. I suspect that Mrs Thatcher likes neither, particularly if it compromises her domestic policy independence

Patrick Crowley,
250 Heath Street West
Toronto, Canada

Unregulated flow of stimulating advertising

From Mr Bryn Jones.

Sir, Nice to see the frontiers of free speech being pushed back in your columns. Half of Chris Dunkley's TV and radio guide for April 18 consisted of an unexplained appeal for the theories of Marx and Freud to be "thoroughly discredited," and for that night's Radio 4 (Against the State) programme on Marx and Freud to begin this process. In the same edition's letters the Director of the Incorporated Society of Advertisers disinterestedly informed us that unregulated advertising needed to "flow as freely as personal ideas."

As someone who has fought a largely uphill battle with student ambivalence to any critical reading and assessment of the ideas of Marx and Freud, I now see the source of my difficulties.

The problem is not that my students have been so unappreciative of big ideas because their diet of TV and radio never (to my knowledge at least) contained a single programme explaining them. No, it is just that these media did not thoroughly discredit such ideas, so that prospective students and others could know that they did not have to study and evaluate them.

After a few more half-hour programmes debunking the influence of outstanding social and scientific theories (Wittgenstein? Keynes? Darwin?) there should be more space in the air waves, and eventually less opposition in the brain waves, for the unregulated flow of stimulating advertising.

Bryn Jones,
School of Social Sciences,
University of Bath

Red Cross efforts for Cambodia

From Mr Renny Nancholas.

Sir, I would like to correct the impression given by Peter Carey (Letters, April 19) that the British Red Cross has been inactive in supporting medical services in Cambodia.

Throughout the last 15 years our society has been giving active support, both materially and in human resources, to international Red Cross efforts to provide medical assistance both in Cambodia itself and to the thousands of Cambodian refugees and war-wounded just across the border in Thailand.

During the 15 years we have sent more than 100 delegates – mostly doctors and nurses – to work with the International Committee of the Red Cross (ICRC) at the Khao-I-Dang surgical hospital for war-wounded and other medical institutions.

It would be pointless to list everything else that we have done. But I would like to mention just two recent examples. Since the end of last year Gill Barker, an experienced BRCS theatre nurse, has been working at the ICRC hospital at Kampot in Cambodia. In December we funded the installation of a generator at the Australian Red Cross hospital at Kompong Speu, south-west of Phnom Penh.

Finally I would like to point out that Red Cross societies never act in isolation from each other. In the case of Cambodia we all act in close concert with the ICRC in Geneva.

Renny Nancholas,
Head of International Aid,
British Red Cross,
9 Grosvenor Crescent, SW1

Telephone tariff cuts and traffic volumes

From Mr K. Cheong.

Sir, Your editorial comment ("No need for phone cartels," April 17) is to be welcomed as a positive contribution towards greater competition in international telecommunications.

However, I must take issue with your assertion that "many studies have concluded that any revenue lost by cutting prices on international routes would be more than offset by higher traffic volumes."

In economists' jargon this means the price elasticity of demand must be greater than (minus) one. In my time as a telecommunications economist I have not come across any studies which clearly demonstrate such an effect.

The published studies of which I am aware – and I would be happy to confirm my references – derive a range of elasticities from -0.1 to -0.9. These are aggregate numbers for both residential and business traffic.

I suspect that residential demand is more sensitive to price so this must mean that the business elasticities are even lower.

Of course, a good applied economist treats econometric estimations with caution but what evidence there is does not support your hypothesis that cutting tariffs would increase international telephone revenues.

K. Cheong,
Senior Consultant,
National Economic
Research Associates,
15 Stratford Place, W1

ECGD and a precipitate rush to privatisation

From Mr I.J. Campbell.

Sir, My council endorses fully the points made by Mr Dunford (Letters, March 22). We fear that, having failed in its full-frontal assault on the Export Credits Guarantee Department (ECGD), the Treasury is now pursuing the "zero-option" for project support by stealth.

Of equal concern is the future of ECGD's short-term Insurance Services Group. We welcome it being run more commercially and its management being granted greater flexibility and accountability. However, we are concerned at the seemingly precipitate rush towards early privatisation and believe that before making decisions, the Government should listen to the views of exporters. Mr Ridley's observation, as reported in the FT, that "exporters should refrain from comment until these decisions were made" is the sort of arrogant nanny-knows-best approach that we had hoped was a thing of the past. Four issues are crucial:

- The changed ownership could profoundly affect the availability and cost of bank financing. ECGD policies, underwritten by the Government, are "zero-weighted" by banks. Will a new owner enjoy the same rating? If not, off-balance-sheet finance will be less available and more expensive.
- Mr Ridley must resist a quick sale to an unsuitable buyer. ECGD's recently improved service is due partly to good commercial management. But it is also due to the existence of private sector competition encouraging better products and flexibility.
- If the new owner were an existing UK credit insurer there could be a return to a detrimental monopoly situation. And if the new owner were a foreign company, would it have a real interest in promoting British exports? The Trade and Industry Department's track record in assessing the veracity of statements made by foreign interests seeking to purchase UK institutions is well-documented.
- Confirmed availability of political risk reinsurance is vital if we are to maintain traditional less-developed-country markets and take advantage of developments in eastern Europe. The Government's offer of reinsurance for three years must not be seen as finite. Rather, Government must provide national interest cover until the new insurance services company can deliver such reinsurance from the private market – fully guaranteed, long-term and at a realistic price.
- What are the consequences of making ECGD's Insurance Services Group attractive for privatisation? Our fears are that premiums will inevitably rise and that cover on riskier markets will be withdrawn or priced out of existence.

Effective, competitively priced export credit insurance is vital in tackling the £21bn trade deficit and encouraging small to medium companies to export.

If a "quick fix" sale of the Insurance Services Group (at a price which will run the National Health Service for just 75 minutes) deprives British exporters of this support, a continuation of the trade deficit and the need for high interest rates will be the pattern for the 1990s and beyond.

I.J. Campbell,
Chairman,
British Exporters Association,
16 Dartmouth Street, SW1

Bank action on insolvencies

From Mr R.P. Allen.

Sir, Richard Waters ("Insolvencies rise as interest rates bite," April 11) reports on Grant Thornton's view that banks are taking action earlier to prevent their clients going into receivership. Would that I and other credit managers saw evidence of this.

When companies are in difficulties the clearing banks could do much to keep them in business simply by liaising more closely with major creditors. Yet all too often the banks appear to take the easy solution of withdrawing credit at the first sign of a problem, so accelerating decline.

No one is suggesting that the banks should expose themselves to unnecessary risks. But if they took a little more effort to establish the views of others we might yet see more companies surviving the current high interest rates.

R.P. Allen,
Vice Chairman,
Institute of Credit Management,
Easton House,
Easton on the Hill,
Stamford, Lincolnshire

Turkey's human rights record 'grievously misrepresented'

From Mr Nurver Nures.

Sir, Edward Mortimer ("Turkey against the tide," April 12) paints an image that grossly and grievously misrepresents the human rights record of Turkey.

In the first instance Turkey's application for full membership of the European Community was in no manner whatsoever "shelved" as such last December. On the contrary, the European Commission, in the "opinion" it submitted to the Council there and then, explicitly stated that no doubt should be cast on Turkey's eligibility for membership.

Mr Mortimer quite blatantly disregards the fact that the Community is reluctant to open accession negotiations with any of the candidates, be it Turkey or another country, except in *sui generis* cases. The Commission went on to declare that "the fact that negotiations cannot be opened at this stage ... would not mean that our partners must abandon their aim of accession."

As for certain events Mr Mortimer dwells on in his article to create a so-called basis for his attack on Turkey's human rights record, allow me to point out that it is always good practice not to distort quotations by tearing them from their actual context and quoting only fragments of facts.

Six opposition MPs were expelled from their party by the decision of its elected organs. This was a strictly democratic process. There are surely cases of MPs deselected by their very own local organisations in the UK on grounds that they embarrassed their constituency by their actions.

A young army officer was indeed discharged from the armed forces. He had acted against rules and regulations forbidding members of the armed forces from becoming involved in politics. This is certainly a universally accepted western practice. The man is now a civilian and from what I read in the Turkish press, he thoroughly enjoys his new status by giving interviews to the news media.

There have indeed been recent cases of reporters injured together with police officers during riots instigated by militant elements. Surely, this is not a case against the practices of the Turkish Government since there are numerous examples of such incidents in all democracies including the UK.

Mr Ismail Besikci's case is one I do not want to dwell on in detail. It would not be appropriate for me to comment upon a matter which remains before the courts.

I believe, however, that the charges against him, which involve advocacy of the dismemberment of the Turkish State should speak for themselves. It is the bounden duty of the State Prosecutor's Office to protect the majority of the people against the excesses of a handful of militants.

The mayor of Canakkale was suspended from his duties on the grounds that he behaved disrespectfully towards the seat of presidency of the republic. His case is before the independent Council of State. Legislation exists in all countries of the world enabling authorities to take action against such behaviour involving insult to the office of the head of state.

Action taken recently against certain newspapers that published sensitive information on terrorist movements was based on laws enacted by an elected parliament. There exists today a consensus amongst all political parties to combat separatism by all means compatible with a parliamentary democracy. I believe a certain amount of censorship prevails in the UK too where the IRA is concerned.

Allow me to finish this letter by quoting a comment made by the European Commission in their report to the Council last December: "The system (in Turkey) set up by a series of reforms and on the occasion of, or following, various elections, has resulted in a parliamentary democracy closer to Community models."

Nurver Nures,
Ambassador,
Embassy of Turkey,
43 Belgrave Square, SW1

FOREIGN AFFAIRS

No simple answers to Baltic crisis

The Soviet Union and the West must be cautious over Lithuania, warns **Robert Mauthner**

The "gallant little countries" brigade is having a field day over Lithuania. Armchair warriors from Copenhagen to Carshalton are polishing their airguns and calling upon the West to "take action" to defend the Baltic country's decision to become independent and overcome the economic sanctions imposed by Moscow. Cries of "Münich" rend the air.

One can only envy the simple-minded conviction with which those who castigate President George Bush and the European Community for their measured response to the events in Lithuania pursue their arguments.

But the Soviet Union versus Lithuania is not just a football match in which you support either one side or the other.

It is part of a highly complex and interrelated set of circumstances which, if ineptly and insensitively handled, could bring down the whole stadium.

The fight by the Lithuanians for the independence of their country is unquestionably both courageous and at least as historically justified as that of several other east European countries.

In the 14th century, Lithuania was a great empire stretching all the way from the Baltic to the Black Sea, whose ruler became King of Poland in 1386 after being baptised as a Christian. It is true that, by the end of the 18th century, Lithuania, together with the other Baltic lands, had passed into Russian hands, where they stayed for more than 100 years.

Yet in 1920, after being occupied by the Germans in the First World War, Lenin signed a peace treaty with the governments of the three Baltic states and recognised their independence "in perpetuity."

Therein lies the legitimacy of the Lithuanian claim to independence today. No-one in the West accepts the validity of the notorious Molotov-Ribbentrop pact of 1939, the secret protocols to which allocated the Baltic states to the Soviet sphere of influence and led to their annexation by Moscow in the following year.

While recognising the legality of Lithuania's claim, however, Western governments can only ignore at their peril the difficulties facing President Gorbachev in dealing with it.

Mr Gorbachev, after all, was not responsible for incorporating the Baltic states in the Soviet Union. He has inherited a far-flung and heterogeneous empire which, thanks to his own relatively liberal policies, is now beginning to disintegrate. That process, as the British and French should certainly be the first to comprehend from their own history, is a painful one.

It can also be highly disruptive, as the French experience in Algeria in the 1950s and early 1960s showed only too clearly. In France it led to a generals' revolt, and a military coup was only narrowly avoided. Only someone with the exceptional qualities of General de Gaulle was able to bring the French people around to accept Algerian independence, but he had to move carefully and it took several years to achieve his aim.

The Soviet leader's position is at least equally delicate. His conservative critics, who like neither the abdication of Soviet power in eastern Europe nor the moves towards greater democracy within the Soviet Union, are ready to pounce on any policies leading to the progressive dissolution of the Union. Even some of the higher echelons of the Soviet armed forces are reported to be openly critical following the decline of Soviet military strength in eastern Europe.

The Soviet Union versus Lithuania is not just a football match in which you support either one side or the other

The Baltic states, it is argued by their supporters, are a special case, by virtue of their history and culture. They could be given their independence without affecting the unity of the rest of the country.

But can this proposition really be sustained after what has happened in Georgia, Moldavia and Azerbaijan and in the light of the growing wave of Ukrainian nationalism?

Mr Gorbachev, judging by some of his pronouncements, certainly appears to fear that granting immediate independence to Lithuania, Latvia and Estonia would have a domino effect and many international observers agree with him.

Both Mr Gorbachev and the Western countries are therefore faced by an agonising dilemma. The Soviet leader cannot afford, for domestic reasons, to preside over the dismantling of the Soviet Empire, even though he may favour a limited degree of regional autonomy.

At the same time, a brutal suppression of the Lithuanians would jeopardise the good relations with the US and other Western countries which he has so painstakingly built up, as well as undermining the arms control negotiations in which he has invested so much of his energies and reputation.

The Western countries have a similar interest in preserving good relations. It is not a matter of supporting Mr Gorbachev at all costs or approving everything that he does.

What is at stake is that the ground should not be cut under the feet of the only Soviet leader who has proved himself capable of laying the foundations in his own country for the kind of democratic society and market economy with which the West can live in harmony – "do business," as Mrs Margaret Thatcher would say.

He may have a long way to go, but for the moment there is no-one better in sight and there is always a risk that the Soviet Union may revert to its old habits.

What then can the West do to support what is, after all, the democratically-expressed desire of the Lithuanian people that their country should become independent, while urging both parties to settle their differences by negotiation? There are clearly limits which Mr Gorbachev must not be allowed to transgress without provoking a reaction from the West.

President Bush has said that Mr Gorbachev knows what these limits are and one can only presume that they consist of the full-scale use of military force by the Soviet Union to bring the Lithuanians to heel.

A decision to escalate the already-existing embargo on oil and gas supplies into a total economic blockade would also, no doubt, trigger some kind of a Western response.

There is no secret about the weapons that the West could employ to express its disapproval and persuade Moscow to adopt a more conciliatory stand. Plans by the US to grant the Soviet Union most-favoured nation status and proposals for a relaxation of Western restrictions on high technology exports to the Soviet Union could be suspended.

As a last resort, arms control negotiations in Vienna and Geneva could be postponed, as could the scheduled Soviet-American summit in Washington at the end of next month, although that could harm the West at least as much as the Soviet Union.

Conventional arms reductions in Europe are arguably of greater importance to the West than to the Soviet Union and the postponement of the summit could result in a serious set-back to the process of German reunification.

Yet the onus of finding a way out of the Lithuanian crisis is not entirely on Mr Gorbachev. Mr Vytautas Landsbergis, the Lithuanian president, and his government have some responsibility in the matter. They have forced the Russian bear against the wall, where he is at his most dangerous.

Less precipitate action might have enabled them to reach a negotiated agreement leading to independence, if not immediately, at least at the end of a reasonable period.

A compromise must continue to be the aim, perhaps in the form of a two-year freeze of the independence declaration, as Mr Landsbergis finally suggested in an interview at the weekend. For, if it came to a straight choice between invoking the wrath of the West and conserving his own position at home, Mr Gorbachev is bound to choose the latter option.

FINANCIAL TIMES
Tuesday April 24 1990

ANGLO-FRENCH PROJECT

Eurotunnel to seek extra £2.5bn

By Andrew Taylor, Construction Correspondent, in London

PLANS to raise as much as another £2.5bn ($3.26bn) to cover the increased cost of building the Channel tunnel were announced yesterday by Eurotunnel, the Anglo-French Channel tunnel group.

The money would be in addition to the £6bn already raised by Eurotunnel from international banks and shareholders.

The group said the cost of building the tunnel had risen by a further £500m since it estimated last October that it would cost £7bn to complete the project. This compares with an original estimate of £4.87bn in November 1987.

The extra money to be raised by Eurotunnel includes a contingency of about £1bn to cover any further unforeseen increases in costs.

Eurotunnel's share price yesterday rose by 10p following an enthusiastic response by French investors to the news that engineers digging the three 50km tunnels under the Channel had reached the halfway point on Saturday. Eurotunnel has more than 400,000 French shareholders compared with just over 100,000 British shareholders.

Mr Alastair Morton, Eurotunnel's chief executive who has previously criticised contractors for poor performance and delays, said there had been a dramatic improvement in tunnelling rates during the first four months of this year.

He said the group, which yesterday announced its annual results, planned to raise between £2bn and £2.5bn of additional finance. Mr Andre Benard, Eurotunnel's chairman, said he expected the final amount to be "not far from the higher figure, when we finish the operation."

About £2bn is expected to be raised from bank loans and up to £500m in new equity or quasi-equity, possibly involving some form of mezzanine financing. Mr Morton said a rights issue was planned for the autumn, with British and French engineers due to complete the service tunnel at the end of November.

Eurotunnel said the latest estimate of the cost of completing the project of £7.5bn included £500m to meet higher tunneling costs. These had resulted from employing more construction workers to speed up digging and from higher-than-expected interest charges and inflation.

A further £175m had been added to costs to take account of fees and interest charges which will have to be met to raise the extra £2.5bn proposed by Eurotunnel.

Higher costs had been offset by £200m of savings identified during a cost reveiw undertaken by Eurotunnel and its contractors.

Some savings will arise from a reduction in the top speed of shuttle trains using the tunnel from 160kph to 130kph.

Eurotunnel disclosed that the value of claims for additional payments made by contractors had risen to £700m at 1985 prices. These claims were strongly disputed by Eurotunnel, said Mr Morton. The group however had included an estimate of its possible liability in the increased cost figure.

David Lascelles, Banking Editor, writes: Although bankers are worried by Eurotunnel's escalating costs, they gave a generally positive reaction to yesterday's announcement because it clarifies the project's needs.

More than 200 banks will have to approve the new loans, but the leading banks are expected to recommend a go-ahead on the basis of the much stronger progress now being made by the company. However, the banks will demand tougher terms because they have factored higher interest rates into their calculations.

Lithuanian delegation meets wall of silence in Moscow

By John Lloyd in Moscow and **Robert Taylor** in Stockholm

THE Soviet Union refused to meet Lithuanian envoys in Moscow yesterday as it continued the pressure of its energy blockade on the rebellious republic.

Professor Brunius Kuzmickas, deputy chairman of the Supreme Council, arrived in Moscow with six colleagues, but said he could persuade no one in the Soviet government to talk to him.

He said he had been trying to contact Mr Vadim Bakatin, the Interior Minister and Mr Anatoly Lukyanov, the Chairman of the Supreme Soviet, but with no response.

Lithuania's position is becoming increasingly desperate, as the sole oil refinery at Mazeikial began to close down yesterday at midday, five days after supplies to it had been cut. Private cars have been limited to 30 litres a month, and many plants are expected to close this week.

Mr Arkady Maslennikov, President Gorbachev's spokesman, suggested that Moscow would not insist on an outright rejection on the declaration of independence. His comments appeared to keep alive the possibility of negotiations through the compromise of a two-year freeze on the independence declaration.

Considerable confusion remained yesterday over the terms of a Lithuanian compromise, reflecting the clash between radicals and moderates in the leadership.

Over the weekend Lithuanian officials, including President Vytautas Landsbergis, mooted the possibility of a two year freeze on independence as a basis for negotiations.

However, Mr Valdemaras Katkus, deputy foreign minister and Mr Ceslovas Stankevicius, a deputy chairman of the Supreme Council, said yesterday that no such compromise was possible.

Mrs Kazimiera Prunskiene, Lithuanian Prime Minister, asserted in Stockholm that the government could not rescind its independence declaration. But she thought there was a strong chance that negotiations could begin shortly with Moscow.

Mr Maslennikov, asked about the Soviet government's view of a two year freeze, said "they can choose their own way to return to constitutional means – nullify the laws, impose a freeze, keep it for history or two years or whatever. That is their business."

He repeatedly denied there was a total blockade of the republic, saying that the embargo on oil and gas was merely "a more justified way of redistributing scarce resources."

He said: "We are not trying to bring anyone to their knees... the reduction of oil and gas should be a telling sign for Lithuania. We could not continue to have a free for all of such resources in Lithuania while tractors were at a standstill in the Ukraine for the lack of fuel."

No concrete offers of aid were made to Mrs Prunskiene, who returned from a three day trip to Norway, Denmark and Sweden yesterday. Earlier reports that the European Investment bank had promised to lend Lithuania $100,000 were yesterday denied by bank officials.

The only tangible support for the Lithuanian cause has been a promise from the Norwegian state-owned Statoil that it would be ready to sell Lithuania oil.

The Lithuanian Prime Minister added that her government had decided to establish a bank account in the Swedish capital which will be used to channel financial support from all over the world.

No simple answers to Baltic crisis, Page 23

THE LEX COLUMN

Sir James hands in his chips

The collapse of Hoylake's bid for BAT prompts the question of whether it deserved to be taken so seriously in the first place. Certainly, Sir James Goldsmith's trumpeted return to the UK has proved an ignominious failure. But it should be recalled that the early UK reaction to the bid was one of hostility not towards Hoylake, but towards BAT; and that Sir James scored an important early victory by enlisting a respectable ally in the form of Axa-Midi.

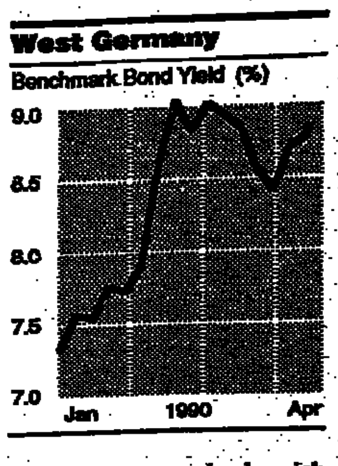
The chief reason for Hoylake's failure lay in a central flaw in its much-touted philosophy of management. Bureaucratic conglomerates like BAT were supposed by their nature to be incapable of change. In fact, BAT's management showed remarkable speed and flexibility in realising for shareholders the value which Hoylake largely sought for itself. Ultimately, this proved more decisive than the turn of events in the US, since it deprived Hoylake of motive.

The era of truly giant takeovers may now be consigned with some confidence to the 1980s. The biggest within the UK has been Gold Fields, at a mere £3.5bn. BAT, if pushed to a conclusion, would have been worth five times that. But the UK market should have long since adjusted to this, as should the BAT share price. After hours in New York yesterday, BAT fell by a mere 5 per cent. If the London price follows suit today, it will still have outperformed the market by 10 per cent since the day before the Hoylake bid.

There will be other repercussions: perhaps some speculation as to which composite insurer, for instance, will be Axa's next target. But it would take blind optimism to expect more fireworks from Sir James, who has nothing to show for his UK venture but the gratitude of BAT's shareholders and a hefty book loss on RHM.

Germany

It would be highly convenient, not least for Chancellor Kohl, if yesterday's gentle decline in the German capital markets could be explained as a reaction to Bonn's monetary union proposals. Three months ago, the merest suggestion that East German Marks would be turned into D-Marks on terms the least bit favourable to East Germans sent bonds into a sky-dive. But yesterday's 10-basis point rise in German bond yields and the 2.5 per cent drop in the DAX Index looked more



like a response to bearish impulses from Wall Street than a considered judgment on what Bonn is suggesting.

Quite apart from the risk that East Germany will simply say no, the disturbing elements in Bonn's proposals lie in what is being left unsaid. On the one-to-one conversion of East German wages and pensions and a large proportion of savings, the plan sounds clear. But there is no attempt to quantify the extra public spending West Germany will face. Doubtless this depends on just how high unemployment will rise in the east. And that depends on the unanswerable question of how the east's newly-liberated industrial combines will sort out what they can pay their workers without going bust.

The trouble is that for investors, the budgetary question is now the prime irritant. Partly, this is because commentators' expectations are fluctuating wildly from DM10bn to DM100bn. Partly, it reflects the fact that the cost of reunification is the SPD's heaviest ammunition in West Germany's federal elections this year.

Eurotunnel

It can come as no surprise to Eurotunnel shareholders that the costs of the project have increased again. After all, the latest figure – £7.5bn – is precisely the level estimated by the contractors back in October, albeit via different calculations. Even now, there remains a discrepancy of around £1bn, at today's prices, between Eurotunnel and TML's estimates of the lump sum costs. And if, as the maître d'oeuvre expects, the project is not completed on time, further costs will ensue. So the £1bn safety margin in Eurotunnel's funding proposals is not purely for decorative purposes.

The tunnelling is going well, and the banks can presumably be persuaded, by the right margin and fees, to cough up the £2bn extra debt financing needed. Equity investors will need to pay 75p or so per share - perhaps via a one-for-four issue at 300p - to keep in the game. Those who are not irredeemable enthusiasts will now be shifting attention to the company's revenue estimates, which are subject to an even greater set of imponderables than the cost forecasts. And, on those, it will not need much to go wrong for the first dividend payment to be pushed into the 21st century.

Equities

There is a more bearish feel to the world's equity markets than before the Easter holidays. Until a week ago the 2200 level on the FT-SE 100 appeared a solid floor, and 9 per cent US Government bond yields sounded far too high. Now the UK equity market is having to focus on new benchmarks.

Admittedly, it has already fallen by over 12 per cent this year while the US and Continental European markets are little more than 5 per cent off their peaks. But it is hard to see the UK moving ahead when equities are continuing to fall elsewhere. The global bond markets still hold the key. Unlike in the UK, the recent setback in the US and Japanese bond markets is nowhere near as severe as in 1987. Nevertheless, bond yields are rising far faster than equities are falling, and traditional relationships eventually reassert themselves.

Ratners

Going by the headline figures, the market still has it in for Ratners. After last year's 41 per cent growth in pre-tax profits, strong growth is promised again this year; but the prospective multiple is around seven, well below the sector and the market. The abortive Dixons deal did nothing for the management's reputation for unpredictability. More fundamentally, there is the faint worry that Ratners' phenomenal success in taking UK jewellery down market might eventually backfire. But this is to reckon without the growth prospects in the US, or indeed Ratners' unique position in the UK market. If this year's expected earnings growth of 20 per cent materialises, the share price will take care of itself, re-rated or not.

UK wins nuclear fuel reprocessing order

By David Fishlock, Science Editor, in London

BRITAIN'S controversial Sellafield nuclear factory has won a contract worth £225m ($367m) to reprocess 450 tonnes of spent fuel from West Germany.

The contract for the plant in Cumbria, north-west England, which has suffered a series of nuclear leaks and accidents in recent years, is the first in a batch totalling about £750m expected to be signed with West Germany in the next few weeks.

The state-owned British Nuclear Fuels, operator of the factory, is signing the contract at Lingen, West Germany today.

The company was also given permission to extend the life of two of its nuclear power stations at Calder Hall, Sellafield and Chapelcross in southern Scotland after a review of their safety record by the Government's Health and Safety Executive.

The likely batch of reprocessing contracts will bring substantial work for Sellafield throughout the first decade of the next century. Together with expected orders from British power companies, they represent nearly half the reprocessing capacity of Sellafield during that decade. The plant employs about half the fuel group's 16,000 workers.

The factory specialises in chemically treating highly radioactive nuclear fuel removed from reactors to reclaim unburnt uranium and plutonium fuels.

The most recent controversy to hit the plant was a statistical study published in February which suggested that past practices at Sellafield may have exposed some workers to enough radiation to induce leukaemia in their children.

The latest West German order represents the first overseas business signed up for the second decade of operation of Sellafield's new £1.85bn reprocessing plant, still under construction, from the year 2003.

The first decade of operations for the thermal oxide reprocessing plant (Thorp), expected on-stream in 1993, has been reserved for power companies in Britain, western Europe and Japan, which have financed the project with advanced payments that commit all 7,000 tonnes of its reprocessing capacity. The value of this business to BNFL is estimated at about £5bn.

The second decade starts with the advantage that Thorp's capital cost will have been amortised, so reprocessing costs should be significantly less. But based on the price of the contract to be signed today, BNFL can expect to earn another £3.5bn if it again fills the 7,000 tonnes of reprocessing capacity.

Today's signing covers all reprocessing requirements for the 1,345MW pressurised water reactor at Lingen, near Dortmund for 17 years from its commissioning in 1988.

The reactor is owned by the Vereinigte Elektrizitätswerke Westfalen (VEW) and operated by Kernkraftwerke Lippe-Ems, which has negotiated the contract with BNFL.

Mr Neville Chamberlain, BNFL's chief executive, said he expected the company to win about 45 per cent of Germany's new reprocessing business, with the French company Cogema probably receiving the rest at a similar price.

Negotiations began between Cogema and German power companies last year following a German decision to abandon plans for its own commercial reprocessing operation at Wackersdorf, when costs of assuaging environmental objections ran out of control.

BNFL also hopes to negotiate jointly-owned nuclear fuel facilities with overseas customers, including a European factory making commercial fuel from plutonium recovered from its reprocessing operations.

Background, Page 13

White House ousts Pentagon agency chief

By Lionel Barber in Washington

THE Bush Administration has removed a leading proponent of developing an industrial policy to meet the economic challenge of Japan and western Europe.

Mr Craig Fields has been abruptly removed from his post as head of the Pentagon's Defence Advanced Projects Agency (Darpa), which has funded a host of high-technology projects such as super-fast computers, lightweight satellites and small rockets.

Mr Fields, 43, a former Harvard University professor and computer scientist, was something of a hero in Congress where many politicians support federal efforts to stem the erosion of America's industrial and high-technology base.

However, he attracted opposition from powerful figures such as Mr Richard Darman, President Bush's Budget Director, and Dr Michael Boskin, chairman of the President's Council of Economic Advisers.

The removal of Mr Fields last Friday is intended to end the debate over an industrial policy but is certain to provoke a row with Congress, which boosted funds to Darpa to more than $1bn in the current fiscal year, while cutting the total defence budget.

"Craig Fields is a national asset who had the misfortune to work for an Administration that doesn't recognise true gold from false," said Senator Al Gore, the Tennessee Democrat who chairs the Senate science sub-committee.

The immediate cause of Mr Fields' removal stems from Darpa's decision to invest $4m in Gazelle Microcircuits, a small company in Santa Clara, California, which makes special materials for computer chips.

Mr Donald Atwood, deputy secretary of defence and a former senior executive at General Motors, objected to the investment because it smacked of industrial policy and was not directly related to military projects.

Mr Atwood has made it clear that while he supports Darpa, its research and investment must focus on weapons systems and leave civilian research and development to the private sector and market forces.

The Gazelle Microcircuits investment failed to meet these criteria and was reportedly not cleared with higher authorities. Last week Mr Fields was informed that he would be fired if he did not resign, or accept a transfer effective from next month.

While Mr Fields' removal is expected to spark a row in Congress, the turning point in the Administration's internal debate over Darpa's role came last year when Mr Robert Mosbacher, Commerce Secretary, retreated from promises to secure federal funding to promote high-definition television. Mr Fields' removal could be a devastating blow to Darpa.

Rover offers jobs and hours deal in UK

By Michael Smith, Labour Correspondent, in London

ROVER GROUP of the UK is to create up to 1,200 new jobs at its Midlands plant, the biggest single expansion there for a decade. This follows its negotiation of an hours deal which union leaders say is the best for car workers anywhere in the world.

The agreement, if confirmed in plant-wide ballots, will enable Rover to become the first British car manufacturer to introduce seven-day continuous production.

The move is aimed at meeting growing demand for its newly introduced Rover 200 and 400 medium-market cars.

Recruitment of 1,200 workers would mean the number of manual employees at Longbridge growing to more than 11,000, against about 8,700 18 months ago.

The 1,200 increase represents the biggest expansion since the company took on extra workers in 1980 to launch the Metro.

Providing Longbridge's 10,000 manual employees approve efficiency measures accompanying the deal, the standard week for day workers would fall by two hours by the middle of the year.

This would make them among the first day workers in British engineering to enjoy a 37-hour week, as most shorter-hours agreements elsewhere are being phased in over several years. They would have every Friday afternoon off.

Workers employed in the Series 200 and 400 engine and gearbox production areas, where continuous production is being introduced, would enjoy an average week of 31½ hours. In a five-week cycle, they would work 18 days and their 17 days off would include one rest period of seven days and another of five.

Existing three-shift workers would see their hours fall by 1½ to 36 with no Friday night working.

The deal is likely to be followed by other hours' cuts in arrangements at Rover's other three plants in Cowley, Swindon and Solihull, which employ 20,000 manual workers.

It is likely to increase significantly the pressure on other car manufacturers to reduce hours, particularly Nissan, which negotiates a pay agreement later this year.

Mr Jack Adams, national automotive officer for the TGWU general workers' union, said the deal set standards for other motor manufacturers to follow. His union would ensure similar claims were pursued elsewhere.

Rovers' willingness to concede a shorter week stems from the success of its 200 and 400 Series cars, launched in October and March respectively. Demand is running at unprecedented levels for a new launch.

Despite the union negotiators' euphoria yesterday, there may be resistance on the shop floor to productivity measures, including increased line speeds, which are proposed as part of the deal. Ballots are expected to start next week.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	13	55	Dallas †	F	19	66	Madeira	C	16	61	Prague	R	9	48
Algiers	C	17	63	Dublin	S	13	55	Madrid	F	12	54	Reykjavik	F	4	39
Amsterdam	S	16	61	Dubrovnik	C	16	61	Majorca	S	17	63	Rhodes	S	21	70
Athens	F	22	72	Edinburgh	S	9	48	Malaga	F	20	68	Rio d'Janeiro		—	—
Bahrain	S	29	84	Faro	S	19	66	Malta	S	18	64	Rome	F	16	61
Barcelona	S	15	59	Florence	C	9	48	Manchester	F	15	59	Salzburg	R	9	48
Belfast	S	14	57	Frankfurt	C	13	55	Melbourne	F	17	63	S'Francisco †	R	14	57
Belgrade	R	17	63	Geneva	R	9	48	Mexico City		—	—	Santiago		—	—
Berlin	F	15	59	Gibraltar	F	20	68	Miami †	S	21	70	Seoul	C	9	48
Biarritz	F	13	55	Glasgow	S	13	55	Milan	C	10	50	Singapore	F	33	91
Birmingham	S	16	58	Guernsey	C	11	52	Montreal †	S	8	46	Stockholm	F	17	63
Blackpool	S	17	63	Helsinki	S	17	63	Moscow	C	12	54	Strasbourg	R	11	52
Bombay	S	32	90	Hong Kong	C	23	73	Munich	C	10	50	Sydney	S	23	73
Bordeaux	F	14	57	Innsbruck	C	11	52	Nairobi	F	23	73	Tangier	F	17	63
Boulogne	F	16	61	Inverness	C	8	46	Naples	F	18	64	Tel Aviv	S	33	91
Bristol	S	14	57	Isle of Man	S	14	57	Nassau		—	—	Tenerife	C	17	63
Brussels	S	16	61	Istanbul	F	21	70	Newcastle	S	12	54	Tokyo	R	21	70
Buenos Aires		—	—	Jersey	F	12	54	New Delhi	S	35	95	Toronto †	S	9	48
Budapest	R	10	50	Johannesburg	F	17	63	New York †	S	16	61	Tunis	F	18	64
Cairo		—	—	Las Palmas	C	18	64	Nice	F	17	63	Valencia	F	19	66
Cape Town	R	16	61	Leeds	S	15	59	Nicosia	S	26	79	Venice	F	14	57
Cardiff	S	15	59	Lisbon	F	16	61	Oporto	C	14	57	Vienna	R	9	48
Chicago †	S	12	54	Locarno	C	11	52	Oslo	F	17	63	Warsaw	C	11	52
Cologne	C	15	59	London	F	15	59	Paris	F	14	57	Washington †	S	13	55
Copenhagen	S	17	63	Los Angeles †	C	14	57	Peking		—	—	Wellington	C	13	55
Corfu	F	23	73	Luxembourg	C	12	54	Perth	C	22	72	Zurich	C	6	43

C-Cloudy. Dr-Drizzle. F-Fair. Fg-Fog. H-Hail. R-Rain. S-Sunny. Sl-Sleet. Sn-Snow. T-Thunder.
† Noon GMT temperatures

Hoylake abandons £13bn bid for BAT

Continued from Page 1

elements which have helped to lift BAT's share price.

The Hoylake bid suffered a serious setback two weeks ago when the California insurance department ruled against Hoylake's application to take over BAT and sell on its Los Angeles-based insurance subsidiary, Farmers Group, to Axa Midi Assurances of France. Axa yesterday confirmed it would drop its attempt to acquire Farmers.

Hoylake said it had baulked at the potential cost of pursuing an appeal, and winning the necessary regulatory approval in eight other states. "It's only too easy to get emotionally involved – instead, we're talking about cold commercial logic," it explained.

But critics of the bid had already cast doubt on the value of the original all-paper offer, especially after the collapse of the US junk bond market.

In BAT's nearly deserted offices late yesterday afternoon, there was no sign of celebration. Mr Sheehy said BAT would get together at an appropriate time with its advisers, who will also have success-related fees to celebrate.

BAT's defence costs at the end of 1989 stood at £56m, but even if they exceed £100m, this would amount to less than 10p per share.

With BAT shares at 724p, down 4p before yesterday's announcement, Hoylake is sitting on a paper profit of about £23m on its 1.25 per cent stake in BAT.

Axa was yesterday taking a philosophical view of the withdrawal of the Hoylake bid. It said it would continue to look for a large US insurer to acquire.

BAT's merchant bank advisers were Lazard Brothers, S.G. Warburg, Goldman Sachs and Shearson Lehman. Hoylake was advised by Hambros, Drexel Burnham Lambert and Bankers Trust.

Additional reporting by William Dawkins in Paris

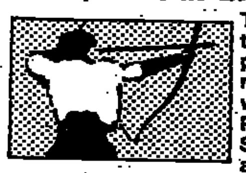
FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday April 24 1990

INSIDE

Framatome strikes back in war of wills

Framatome has launched the latest offensive in a war of wills which threatens to divide the French Government and strains relations between Paris and Bonn. The French nuclear plant builder is resisting attempts by CGE, its largest shareholder, to take majority control. William Dawkins reports. Page 26

Hard news in the free world



Things are happening in the French free newspaper industry. Spir Communication, (logo left) which was floated on the Paris second market in September, is aiming for a 50/50 split between French and foreign business by seeking joint venture and acquisition opportunities outside France. Meanwhile, Comareg, the leading French free newspaper group, finally made its way onto the stock market in a flotation that valued the company at FFr2.2bn ($393m). Page 26

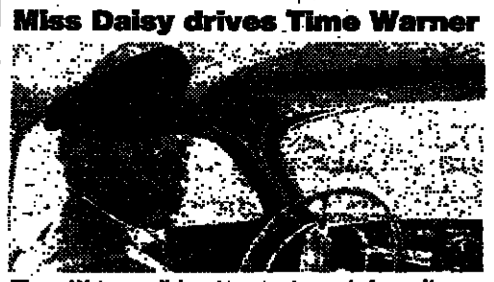
Weak market with a silver lining

Results from property groups have left little doubt that the UK commercial property market is weak. Hammerson, the most diversified of the major British property investment and development groups, saw its "A" share price tumble by 23p to 720p on flat results for 1989. But there are two sides to every coin and Hammerson, a strongly financed group, is looking forward to "some good buys" in a slow market. Page 32

The facts on flax

Flax is staging a remarkable comeback, not least because of research into its nutritional qualities. This is good news for farmers on the Canadian prairies. Canada is the world's biggest producer of short-fibre flax. If the rosy predictions of some in the industry come true, flax could be one of the stars of soft commodity markets in the 1990s, reports Bernard Simon. Page 42

Miss Daisy drives Time Warner



Time Warner did not expect much from its low-budget film Driving Miss Daisy. But the movie's surprising success meant that the group recorded a sharp increase in first quarter film profits. However, the heavy interest burden arising from a debt of $10.8bn meant an overall net loss of $51m. Page 27

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Bayer-Hypo	390	−	22
BMW	556	−	19
Daimler-Benz	858.5	−	39.5
Industrie Werke	430	−	19.5
Kaufhof	656	−	22
Mercedes Hld	734	−	32.5
NEW YORK ($)			
Rises			
Storage Tech	$22\frac{7}{8}$	+	$1\frac{3}{8}$
Falls			
Digital Micro	$14\frac{1}{8}$	−	$13\frac{7}{8}$
Handleman	$14\frac{5}{8}$	−	$3\frac{3}{8}$
McDonnell Doug	$51\frac{1}{4}$	−	$3\frac{7}{8}$
Merck	$73\frac{3}{8}$	−	1
Time-Warner	$92\frac{5}{8}$	−	$1\frac{3}{4}$
PARIS (FFr)			
Rises			
AV M Dass	538	+	29.5
Epeda	1330	+	96.2
Essilor Ad	1299	+	72.8
UIF	898	+	34.8
Unibail	949	+	51.5
Falls			
CSI Inform	1700	−	85.5
TOKYO (Yen)			
Rises			
Dantani	1090	+	90
Fujita Tourist	4890	+	490
Tokyo Tourist	1330	+	110
Yuraku Real Es	1100	+	90
Falls			
Nihonbashi Ware	1480	−	200
Toshoku	1620	−	160
LONDON (Pence)			
Rises			
Aquascutum	545	+	205
Eurotunnel Uts	578	+	5
Fairbriar	45	+	10
Falls			
Alan Paul	135	−	10
Albion	49	−	11
Barclays	519	−	17
Broadwell	84	−	28
Cable & Wire	485	−	11
Cadbury Schw	319	−	5
Hambros	254	−	10
Lloyds Bank	255	−	9
McCarthy&Stone	38	−	11
NatWest Bank	311	−	16
PML	8	−	7
RTZ	530	−	5
Tomkinsons	258	−	16
Unilever	625	−	18
Warburg (SG)	451	−	8
Water Pk Uts £	1453	−	22

Spain plans mergers law to end tax break

By Peter Bruce in Madrid

THE SPANISH Government plans to introduce a new law to discourage companies from merging to take advantage of tax breaks on the capital gains that normally result from revaluing merging assets.

The move comes just a few days after Madrid agreed that Banco Espanol de Credito (Banesto) would not have to pay Pta 19.2bn ($180m) in taxes on the capital gains from a plan to merge all its industrial holdings into one unit.

A senior finance ministry official said yesterday the Government expected a flood of new merger applications.

Under Spanish law, the state can forgive capital gains tax on up to 99 per cent of the gains that result from revaluing assets during a merger at the time of merger.

The official, who did not wish to be named, said a new mergers law would allow merging companies merely to defer payment of the ensuing capital gains tax until any of the merging assets were later sold off.

Banesto's application for tax forgiveness of Pta 44bn for uniting its huge industrial holdings under one roof, the Corporacion Industrial y Financiera, was controversial.

The Government, at first, did not regard it is a legal merger as all the holdings, one way or another, were already Banesto's. Mr Mario Conde, Banesto's president, had personally to convince Prime Minister Felipe Gonzalez that the merger was in the national interest.

It remains unclear quite how he proved this, although by accounting for more than 1 per cent of gross national product, Banesto's industrial holdings are hugely important in Spain.

Many analysts remain convinced that Mr Conde was given the tax break because he was a potential political threat to the governing Socialists and because the capital gains from the merger would strengthen the parent bank's balance sheet.

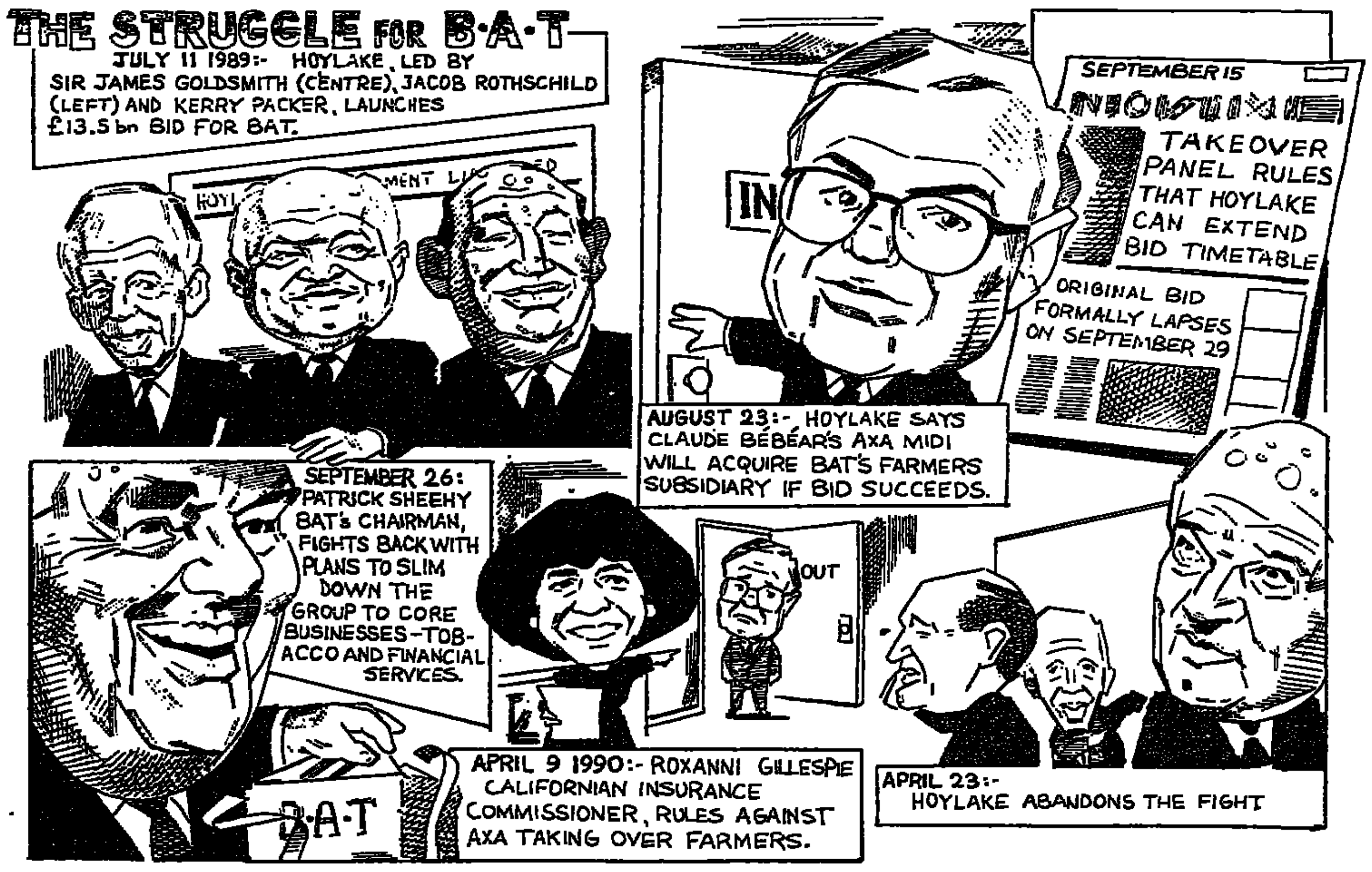
"Mergers in Spain are happening for financial, not strategic, reasons," said the official, who suggested that the merger between two of the country's biggest savings banks, the Caixa de Pensiones and the Caja de Barcelona, was probably motivated by the potential tax break on the Pta166bn in capital gains the merger will generate.

The merger of Banco Bilbao and Banco Vizcaya to become the country's biggest bank two years ago, was encouraged by Madrid with the help of full 99 per cent tax forgiveness. Finance ministry officials assume that all banks with industrial holdings, including Banco Bilbao Vizcaya, Banco Central and Banco Santander will now try to merge them under new holding companies to gain similar tax benefits to those granted to Banesto.

The finance ministry official did not say whether a new law would be retroactive, though this seems unlikely. Given that it would take at least 18 months to bring a new law into force, banks and industrial companies still have time to make merger plans to take advantage of existing regulations.

When the unbundling had to stop

Nikki Tait examines Hoylake's defeat in the battle for BAT



When, yesterday afternoon, Sir James Goldsmith's Hoylake consortium declared it would not renew its takeover assault on BAT Industries, it was bowing to an outcome that had increasingly seemed inevitable.

The writing has been on the wall for some weeks at least, a fact offered eloquent testimony by the slide in the BAT share price from 809p at the start of the year to 724p ahead of yesterday's statement (adjusting for the demerger of BAT's former Argos subsidiary).

For a start, there was the problem of how a new assault might be financed. Drexel Burnham Lambert, the now-collapsed US junk bond investment bank, featured prominently in the original funding structure last summer. In the wake of Drexel's demise, the Goldsmith camp suggested that a renewed bid could still be funded. There would be equity input from consortium members and their French ally, Axa Midi Assurances; proceeds from the pre-sale of BAT's US insurance subsidiary, Farmers Group; plus a certain amount of conventional bank debt. Yesterday, there were indications that consideration was also given to the idea of bringing in additional partners.

However, even on that basis, the transaction appeared to be anything but plain sailing. A far more cautious approach is now being taken by bank lenders towards acquisition funding. The sheer scale of the BAT enterprise suggested difficulties: a renewed assault on BAT – even after it had slimmed itself, in response to the Hoylake threat, to a tobacco and financial services conglomerate – might have necessitated raising around £10bn.

A more immediate obstacle was provided by the US regulatory process. From the outset, it was obvious that Hoylake would need permission from nine state insurance departments for the transfer of ownership of Farmers.

By bringing in Axa Midi Assurances as the potential buyer of Farmers, it hoped to ease these problems. But a damningly adverse ruling earlier this month from the authorities in California, where Farmers is based, suggested that these hurdles would take many months to overcome. The insurance officials had clearly absorbed the arguments raised by Farmers' lawyers.

Even if the complex Axa/Farmers transaction had been restructured, there was little guarantee of success.

California, after all, has had its own problems with leverage and junk bonds in the form of First Executive, the local insurer which invested heavily in Drexel paper. It is also tussling with the implementation of Proposition 103, the insurance rate reform initiative. Officials did not need the additional strains which the Axa proposals, unless radically altered, might have put on the state's second largest auto-insurer.

And Axa/Hoylake had barely begun to tackle the problems which might be raised in other states – such as Ohio, Texas and Oregon – where hostility was likely to be greater still.

Yesterday, one Hoylake representative summed up the final decision neatly by saying that the "risk-reward" ratio of battling on any further simply looked wrong.

But if an end to the battle has been on the cards for some time, the cessation of hostilities leaves some unanswered questions.

First, what does the future hold for BAT? Can it successfully combine tobacco and financial services operations? Second, what remains of Sir James Goldsmith's re-emergence on the UK stage, and his partnership with Jacob, now Lord, Rothschild? And, finally, where does this leave the prospects for leveraged bids in the UK?

On the first score, yesterday's news really changes very little. The restructuring taken on by BAT in the wake of Hoylake attack – which involved shedding the retail and paper businesses, paying out higher dividends and buying in its shares – has already been thoroughly debated. Even if there is little industrial logic in the insurance-and-tobacoo combination, most institutional shareholders have professed satisfaction with BAT's solution, at least for the time being.

Assessing the long-term success of the plan, meanwhile, has been hampered, by the regular presence of BAT's brokers in the market, and the continuing speculation about Hoylake's intentions. Both have provided some prop to the BAT share price; the real test has yet to come.

As for Sir James, he was on a plane to the Far East yesterday and out of contact. The message from representatives of the Rothschild camp in London was that the decision on BAT should be taken in isolation. "This doesn't impact on the Ranks Hovis McDougall situation at all," commented one spokesman. He was referring to the 29.9 per cent holding which the same Rothschild-Packer-Goldsmith combination has in the food and bakeries group, its other major foray into the UK corporate sector.

Other situations, he added, might still be examined.

That said, no one pretends that the world has not changed quite significantly over the past nine months. "Junk bonds are history, and leveraged deals are difficult – but they need not be impossible," seemed to be the thinking.

Just how possible – and how quickly the banking community is prepared to edge back into this arena – has yet to be demonstrated. While the UK economic situation remains shaky there is every possibility that more highly-leveraged transactions will face difficulties. Only when the general UK situations turns, and interest rates ease, does there seem much chance of this business picking up.

How long the pause may last is a matter of lengthy debate among investment bankers. Only when it ends will it be possible to see if Hoylake has indeed, as it claims, "won the intellectual battle" even though it lost the war on the ground.

Exxon earnings steady at $1.28bn

By Roderick Oram in New York

EXXON, the world's largest oil company, has reported flat first-quarter earnings with higher oil earnings abroad offsetting lower earnings in the US and a worldwide decline in chemicals.

Net profits for the three months ended March were $1.28bn, or $1.01 a share, against $1.275bn, or 99 cents, a year earlier. A one-time gain from a change in accounting rules made the final net $1.81bn, or $1.41, in the year-earlier quarter. Revenues rose 20 per cent from $22.26bn to $26.71bn.

The results were broadly in line with estimates of analysts who are forecasting full-year earnings of about $3.80 a share, up from $3.65 last year.

The company made no further provisions for the cost of cleaning up last spring's Exxon Valdez tanker spill in Alaska. Work resumes this spring and the company faces indictments carrying some $600m to $700m in fines, plus a raft of civil law suits.

First-quarter sales growth reflected increased crude production and higher sales of natural gas, petroleum products and chemicals. But operating earnings from most of Exxon's sectors failed to keep pace.

Earnings from petroleum and natural gas exploration and from production in the US was flat at $355m, against $357m, while they rose abroad to $730m from $590m.

Production of liquids rose by 31,000 barrels a day to 1.82m worldwide, reflecting Exxon's purchase of Texaco Canada and higher production in the North Sea and Australia.

Gas production grew 3 per cent to 6,573m cu ft per day. Refining and marketing dropped to a loss of $28m in the US, from an operating profit of $37m but rose abroad to $219m from $138m.

Margins were higher, particularly in Europe, but US operations were affected by a loss of operating capacity at its Baton Rouge refinery after a fire.

Worldwide, product sales grew by 3 per cent to 4.62m barrels.

Earnings from chemicals fell in the US to $120m from $244m and abroad to $61m from $161m. The sector was hurt by higher feedstock prices, lower product prices and the industry's cyclical downturn.

● Amoco, the US oil and chemicals group, lifted first-quarter earnings to $466m or 91 cents a share from $458m or 89 cents a year ago. Revenues rose to $7.1bn from $6.5bn last time.

It said the gains in 1990 first-quarter earnings reflected improved performance by US exploration and production operations primarily resulting from higher crude oil prices.

Aquascutum backs Renown offer

By Andrew Bolger in London and Ian Rodger in Tokyo

JAPAN'S biggest clothing group, Renown Incorporated, yesterday made a recommended cash offer for Aquascutum Group which valued the British classic clothing company at £73.8m ($120m).

The Renown offer has been unanimously recommended by the board of Aquascutum, which has been under siege from a consortium of dissident shareholders seeking to enfranchise non-voting shareholders.

Renown is offering 550p for each of the 3.5m ordinary shares and 200p for each of the 27m restricted voting "A" shares, with a loan note alternative. Following the bid announcement, the ordinary shares jumped by 205p to close at 545p and the "A" shares rose by 57p to 200p.

After buying shares during the day, Renown said last night it spoke for 78.9 per cent of the ordinary shares and 35.5 per cent of the restricted voting "A" shares, comprising 40.4 per cent of the total share capital. Subject to receipt of promised acceptances, the offer would be declared unconditional.

Mr Kazuya Imai, senior managing director of Renown, said the purchase of Aquascutum's top-quality brand was the first step in his group's new policy to establish a "global fashion network" that would involve not only licensing and design, but also production, planning and direct sales around the world.

Until now, Renown has had no links with Aquascutum, which is a well-known name in Japan. Mitsubishi Corporation, the Japanese trading house, imports some Y14bn ($89m) worth of Aquascutum products a year and more than 10 other companies manufacture Aquascutum products in Japan under licence.

Mr Imai said he anticipated no changes in these arrangements as a result of Renown's expected takeover. Renown had not decided on whether to import any Aquascutum products itself.

Renown said the existing management of Aquascutum would be retained and its headquarters would remain in the UK.

Mr Brian Myerson, chairman of the dissident Waterfall consortium, said he was unhappy both with the valuation put on Aquascutum and the proposed price split between ordinary shares and restricted voting "A" shares.

Although he accepted that Renown had won control of the company, Mr Myerson said Waterfall would continue to use its share stake to press for a better deal for the "A" share holders, who he believed should be receiving closer to 244p per share.

Renown had consolidated net current assets of Y107.8bn at the end of last year.

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Framatome counters bid by CGE

By William Dawkins in Paris

FRAMATOME, France's leading nuclear plant builder, yesterday launched a counter-attack against attempts by CGE, the French telecommunications and engineering group which is its largest shareholder, to take majority control.

This brings to a head a lingering row which has poisoned relations between CGE and Framatome for years, threatens to divide the French Government and has prompted questions from a West German Government anxious about the future of a one-year-old joint reactor exporting venture between Framatome and a subsidiary of Siemens.

For it is less than two years since CGE merged its engineering activities with Siemens' arch rival – at least in this sector – Britain's General Electric Company.

Mr Klaus Töpfer, the West German Minister for nuclear safety, even demanded assurances from Mr Roger Fauroux, the French Industry Minister, on a visit to Bonn earlier this month, that the dispute would not jeopardise Franco-German nuclear co-operation.

The latest outbreak of hostility between Mr Jean-Claude Leny, Framatome's chairman and Mr Pierre Suard, at the head of CGE, began late last month, when CGE, owner of 40 per cent of the nuclear plant builder's shares, revealed that it planned to buy by the end of this month another 12 per cent held by willing seller Dumez, the French construction group.

Mr Suard announced, to the alarm of an independent-minded Mr Leny, that he planned to run a 52 per cent owned Framatome as a direct subsidiary.

Framatome's other big shareholders are CEA, France's atomic energy authority, with 35 per cent plus EdF, the public electricity utility, holder of 10 per cent, giving public sector shareholders – so far loyal to the plant builder's management – a combined 45 per cent stake.

The CGE-Dumez deal was the last straw for Mr Leny, who has never got on with Mr Suard, since his arrival at CGE in 1986. Mr Suard has criticised the way Framatome has handled its attempt to diversify into electrical connectors beyond the shrinking market for nuclear plant and the terms of its link-up with Siemens.

CGE thinks Framatome needs a powerful industrial partner to help it through the downturn in demand facing the nuclear plant industry, say officials.

"It would give us a complete catalogue of civil engineering in the nuclear industry," adds CGE, whose products include electrical equipment for nuclear plant.

Framatome has not had an export order for four years and it now has only 11 plants under construction, six to seven less than in 1987. Framatome, which last year reported a turnover of FFr20bn ($3.53bn), simply wants to be left alone to pursue its alliance with Siemens until nuclear plant demand picks up, as it expects, towards the end of the decade, said its directors yesterday.

Moreover, it privately suspects CGE of wanting to get its hand on Framatome's FFr7bn cash reserves.

This is a sensitive problem for the French Government, because it is largely thanks to Framatome's reactors that France is the world's most nuclear dependent country, in which more than 70 per cent of the nation's electricity is nuclear generated.

Mr Suard is viewed with less than complete trust by the Socialist establishment because of his close links to the Gaullist party, to which the CGE is an industrial figurehead of the French right-wing. It was, after all, the previous Gaullist Administration that privatised the formerly public CGE three years ago.

Framatome's counter-plan, devised by the London-based merchant bank, Salomon Brothers, would oblige CGE and Dumez to sell their stakes, worth an estimated FFr4bn to FFr5bn, to a mixture of public shareholders, other French industrial companies, among which Schneider, the engineering group, has shown interest and individual investors, including Framatome's own staff.

"We think an amicable divorce is the best response. It's not out of animosity against Mr Suard – rather its a question of strategy," said Mr Marcel Chabrillac, Framatome's director of nuclear engineering. The scheme, presented to the Finance and Industry ministries, would lift the public sector's stake to just over 50 per cent, leaving two or three private industrial investors with up to 45 per cent, and the remainder with outside individuals and staff.

This plan is competing against an alternative power-sharing proposal concocted by the free market-minded Mr Roger Fauroux, the Industry Minister and favourably viewed by Mr Michel Rocard, the Prime Minister. They are both understood to be irked by Mr Leny's refusal to see eye to eye with Mr Suard, who, having started the controversy, is now thought unlikely to reject the compromise out of hand.

The idea is to set up a holding company owning 97 per cent of Framatome – the remaining 3 per cent is already held by its staff – which would be split down the middle between CGE and public sector shareholders.

To complicate matters further, President François Mitterrand turned down a similar peace plan devised by Mr Fauroux last autumn, on the grounds that it was unwise to let a company so important to French public interests pass into the control of a single private sector shareholder. Framatome directors do not see why he should change his mind now.

Mr Rocard's · is are now busily seeking a consensus between the rivals in this complex debate. Whatever the end result, the contest indicates that, despite the Government's attempts to keep a hands-off approach to companies in which it holds a stake, French politics and business are still inextricably mixed.

Ratners up 41% despite difficult climate

By Maggie Urry in London

PROFITS at Ratners have lost none of their sparkle while other high street retailers in the UK have struggled. The UK's leading jewellery group yesterday announced a pre-tax result of £121.5m ($198.7m) for the 53 weeks to February 3 1990, a 41.2 per cent rise over its £86m for the previous 12 months.

The group's shares, which have been weighed down by issues made to finance acquisitions and by analysts' fears of possible diversification, closed 1p higher at 227p.

Mr Gerald Ratner, chairman and chief executive, said he was "delighted" with the figures, achieved in a difficult retailing environment. He said the group had shown eight years of solid growth and that earnings per share had risen by 40 per cent per annum compounded over the last five years.

The group's stores achieved like-for-like sales gains ranging from 7 per cent in the US to 24 per cent in the UK Zales chain during the 53-week period. In the first few months of the new year, comparable store sales gains were running at more than 20 per cent in the group's three UK jewellery chains, Mr Ratner said.

He added that the group's aim was to increase its share of the UK market for jewellery – currently worth about £2.7bn in total – from 31 per cent to 50 per cent within three years, and to gain 10 per cent of the $20bn US market in the medium term.

This would give the group the potential to make profits of "hundreds of millions of pounds." It did not need to issue shares to make the small acquisitions in the US, he said.

The pre-tax profit figure includes £13.3m income from property disposals and profit on sale of investments. Excluding that income, profits were up by a third to £108.2m.

Mr Andrew Coppel, the finance director, expected income from property disposals to be much lower in 1990.

Fully-diluted earnings per share rose 14 per cent to 30.2p, held back by share issues, but the total dividend is being increased by 26.7 per cent to 9.5p with a proposed final of 7.5p.

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NEWS IN BRIEF

Suchard petition rejected

JACOBS Suchard USA, formerly E. J. Brach and the third largest US confectionery maker, has been denied its petition for Foreign Trade Zone status, according to US Congressional aides, writes Barbara Durr.

The company asked for the FTZ status to buy sugar at the low world market price instead of the domestic support price. Jacobs Suchard USA had been profitable until 1987 under its former owners, but lost $50m in 1989. The loss was attributed to management mistakes and an inability to understand the US candy market. The company's poor performance led to the FTZ request.

Suchard said in its petition to the Commerce Department that it would relocate production outside the US if the FTZ status was denied.

■ Norsk Data, the Norwegian computer maker, said its orders rose slightly to NKr592m ($90.8m) in the first quarter of 1990 from NKr585m a year earlier in the same period of 1989, despite staff cuts aimed at stemming losses, Reuter reports.

■ Matra, the French defence, telecommunications and transport group, plans to boost its 1989 net annual dividend to FFr8 a share from FFr6 following a 78 per cent surge in its 1989 net profit, AP-DJ reports.

■ Gevaert, a Belgian portfolio holding company, plans to raise about BFr3bn ($86m) in new capital in a one-for-10 share issue, AP-DJ reports. The issue, which will be proposed on Thursday at an extraordinary meeting, will more than double Gevaert's share capital to some BFr5.4bn.

■ Convex Computer, a rising star in the market for high-powered supercomputers, announced record revenues and operating profits for the first quarter, writes Louise Kehoe in San Francisco.

The Texas-based company reported revenue of $48.6m, an increase of 46 per cent from $33.3m in the same quarter last year.

Comareg achieves FFr2bn flotation at third attempt

By George Graham in Paris

COMAREG, the leading French free newspaper group, finally made its way on to the stock market last week in a flotation that valued the company at FFr2.2bn ($388m).

The flotation of 10 per cent of the shares of Comareg, which is controlled by the Havas media group through its Avenir posters and direct marketing subsidiary, was originally planned for April 4 at a price of FFr250 a share.

The offer was 150 times oversubscribed, and Comareg tried again a week later at FFr290 a share. Once again, the offer was swamped. A third attempt at FFr300 a share, though still 20 times oversubscribed, was at last successful.

Comareg, whose 140 titles distribute 14m copies a week and cover two thirds of France, ranks first in free newspapers, with around a third of the market, well ahead of its closest rivals, Carillon, Spir and S3G.

It has a striking profits record over the last three years, advancing from FFr20m net profits in 1987 to FFr34m in 1988 and FFr82m in 1989. This year, it is expecting to reach FFr116m on turnover of FFr19.5bn.

The group has begun to experiment with freesheets in Spain and in Italy, and will decide on the basis of these experiments whether to invest in these two countries.

Mr Philippe Santini, managing director of Havas and vice-chairman of Comareg, says, however, that he is not interested by the UK or West Germany, which offer much lower growth prospects than southern Europe.

Spir seeks joint venture abroad

By Andrew Baxter

SPIR COMMUNICATION, the French free newspaper publisher which was floated on the Paris second market in September, is seeking joint venture and acquisition opportunities outside France after nearly 20 years of strong growth in its domestic market.

Spir, founded in 1971 by Mr Claude Leoni, the chairman and major shareholder, has been holding talks with a number of publishers in the UK and continental Europe.

The company is the third largest French free newspaper group, and also has seven local radio stations and distribution interests, but has no foreign business. Mr Leoni's ultimate aim is to achieve a 50/50 split between French and foreign business.

Mr Leoni, in London earlier this month, said discussions with UK companies were not yet "ripe," and Spir was concentrating on making contacts which would allow it to get its foot in the door if acquisitions were available.

He was attracted to the UK and West German markets by their high professional standards, and to Spain, Italy and Portugal by their untapped opportunities.

Spir has 40 newspaper titles in Normandy and south-east France, but the term newspaper is really a misnomer. Unlike their UK counterparts which often include varying quantities (and quality) of local news, the French papers concentrate exclusively on commercial publicity material and small ads.

The industry has been growing at about 20 per cent a year in France, and had total sales in 1988 of FFr3.72bn ($656.1m), or 40m copies a week of 575 titles.

The big three groups have 55-60 per cent of the market, but Mr Leoni sees scope for acquisitions among the smaller, less well managed companies.

Spir raised FFr92m in the initial public offering of 10 per cent of its shares last year – the remaining shares are held by Mr Leoni or a holding company which he owns. With FFr130m cash in hand and the ability to raise total credits of FFr500m, Mr Leoni indicated he had plenty of financial fire-power to grow organically or by acquisition.

UK institutions featured heavily among the buyers of the issue, and Mr Leoni said a further increase in capital would be no problem.

The company had net profits last year of FFr60m, up 35 per cent on 1988 and 10 per cent higher than the prospectus forecast, on turnover of FFr524m.

Elf to buy BP France activities

ELF AQUITAINE, the French state-controlled oil group, has agreed to purchase the exploration and production activities of BP France for an undisclosed sum, the companies announced yesterday, agencies report.

BP France had indicated earlier this month that it had received an offer from Elf for the assets. These consist of 28 exploration permits, of which nine are in Aquitaine, southern France, and 19 in the Paris Basin, and nine production wells, one in Aquitaine and eight in the Paris Basin.

The acquisition will take effect on July 1, pending approval from the appropriate French authorities. Elf said BP France personnel affected by the transaction have the option of remaining in the new Elf operations.

BP France, a unit of British Petroleum, reiterated yesterday that its decision to sell these upstream activities reflected its new strategy of concentrating on refining and service-station business.

Until the completion of the sale, BP France remains the country's fifth-largest oil producer.

For the first half of 1990, the company has targeted a production rate of 4,400 barrels a day, up from 4,000 barrels in 1989.

Debt-burdened Time-Warner in $51m loss

By Martin Dickson in New York

DRIVING Miss Daisy, which recently won four Hollywood Oscars, helped Time-Warner record a sharp increase in first-quarter film profits, but the group's heavy interest burden meant an overall net loss of $51m.

The world's largest media and entertainment company was created through the merger last year of Time and Warner Communications, but the deal also gave the group a $10.8bn debt burden. The first-quarter loss compared with a $50m historic profit in the first quarter for Time and a pro-forma loss of $81m for the combined group, assuming it had been in existence for all of last year.

Steven Ross: figures reflect broad strength

The figures were struck after $275m of net interest payments and $262m of depreciation and amortisation, much of it stemming from the merger. The loss per share was $3.25.

However, Time-Warner said that at a pre-interest, tax and amortisation level its operating units recorded a 16 per cent increase in earnings to $536m, against $461m in the same period of last year. Revenues rose to $2.74bn from $2.55bn.

The film division saw profits rise from $68m to $92m, helped by Driving Miss Daisy, a low-budget film about the relationship between an elderly Southern woman and her black chauffeur, which has been a surprise hit in the US. The company said the film's box office revenues had topped $93m.

However, the magazines division produced profits of $54m, down from $70m, hit by the the start-up costs of the new Entertainment Weekly magazine.

Advertising revenues fell because of a softer market, mainly for cars and tobacco products, while circulation revenues were up modestly.

The records and music publishing side saw a 12 per cent rise in profits to $149m, helped by hits from pop stars Phil Collins, Chris Rea, Rod Stewart and Eric Clapton.

The cable division increased profits by 29 per cent to $179m, while the Home Box Office domestic entertainment business was slightly ahead at $45m, against $44m.

The books segment saw profits rise from $7m to $17m. The figures reflected broad strength across the company's mix of businesses and the benefits of its worldwide distribution system, claimed Mr Steven Ross and Mr Richard Munro, co-chairmen of Time-Warner.

Strong rise at Avon despite flat revenue

By Karen Zagor in New York

AVON Products, the world's biggest manufacturer of cosmetics and toiletries, yesterday reported a strong improvement in first-quarter earnings, although sales were flat.

In the three months ended March 31, the New York-based company posted net income of $15.2m on sales of $703.8m, against $6.2m on sales of $704.9m a year earlier. Primary earnings per share were 11 cents in the 1990 quarter compared with a loss of 5 cents after paying preferred stock holders.

The company said a small gain from the sale of its Parfums Stern business was largely offset by takeover defence costs. Avon has fought off a series of takeover advances in the past 12 months.

Mr James Preston, chairman and chief executive, said the company expected a good year in 1990.

Although earnings were in line with expectations, uncertainty about the sale of Avon's stake in its Japanese subsidiary hit the company's stock, which fell $¾ to $35½ in active trading on the New York Stock Exchange yesterday.

A Tokyo group, which had agreed to buy Avon's stake for $450m in cash and royalties, said late on Friday that they would not close the deal by April 27.

Avon has pared down its operations in the last year, using the proceeds to reduce debt. As of March 31 it had debt of $695.9m compared with $1.13bn a year earlier, while interest expense fell 13 per cent to $29.9m.

The company's door-to-door selling business saw pre-tax profits rise 14 per cent in the period on sales which were virtually unchanged.

The threat of another takeover bid still exists. Although the company recently settled a pending proxy battle with Chartwell Associates, a partnership including the wealthy Getty and Fisher families, the settlement has not stopped Chartwell from increasing its stake in Avon.

McDonnell Douglas disappoints market

MCDONNELL Douglas, the US military and civil aircraft manufacturer, said its combat aircraft segment reported substantially improved earnings in the first quarter. But the results disappointed the market, agencies report.

The improvement was offset by a large loss in transport aircraft and by lower earnings in missiles, space and electronic systems.

The group's share price dropped sharply after several Wall Street analysts lowered their ratings and earnings estimates on the aerospace concern following its disappointing first quarter. Early yesterday the shares dropped $2¾ to 52⅞.

Net profit amounted to $2m for the quarter, compared with a loss a year ago of $10m, while per share earnings stood at 5 cents against a loss of 25 cents before a gain. The figure for the year-ago quarter excludes a gain of $179m, or $4.68 per share, for an accounting change.

First-quarter revenues were $3.83bn up from $3.22bn in 1989.

Lower development costs in the advanced tactical fighter programme boosted earnings in the F-15 and F/A-18 programmes, but the gains were moderated by lower earnings in the AH-64 Apache helicopter programme.

Those gains were countered by a loss in the transport aircraft segment, primarily from higher development costs in the MD-11 programme, McDonnell Douglas said. It added that costs were higher in other programmes and the MD-80 programme lost money in the quarter.

McDonnell completed production of 28 MD-80's during the quarter but delivered only 25. In the year-ago quarter, 27 were produced and delivered.

IRC hit by $2.4m net loss

By Kenneth Gooding, Mining Correspondent

INSPIRATION Resources Corporation (IRC), the North American natural resources group which is 56 per cent owned by Minorco, part of Mr Harry Oppenheimer's South African empire, suffered a 1989 fourth-quarter net loss of $2.4m or 4 cents a share compared with a net profit of $2.6m or 4 cents a share in the same months the previous year.

For the year to December 31 IRC's net income fell to $25.2m or 38 cents a share from $42m or 63 cents. Full year revenues totalled $1.4bn for both 1988 and 1989.

IRC's 1988 net income included a $26.7m gain on the sale of its US copper assets to Cyprus Minerals and their $10.3m contribution to earnings in the first six months of 1988.

In 1989 IRC's income tax provision jumped from $9.9m to $17m.

Renown moves into the global fashion network

Ian Rodger on the Japanese apparel manufacturer which has made an agreed bid for Aquascutum

Americans and Europeans must by now be getting used to waking up to learn that some huge, but hitherto little known, Japanese company has snapped up a famous Western business or property.

The £74m ($121m) agreed bid yesterday by Renown, Japan's largest apparel maker, for Aquascutum of the UK,is a classic of the genre.

In common with many Japanese consumer goods companies, Renown has, until recently, been content to grow along with Japan's growth, following the evolution of its customers' tastes from practical clothing in the 1950s and 1960s to high fashion designer goods in the 1970s and 1980s. Virtually all of the group's Y291.2bn ($1.84bn) in sales last year were made at home.

In some ways, Renown could be described as the Marks and Spencer of Japan. It is in virtually all areas of clothing for men, women and children and seeks high standards in all aspects of the trade.

Last year, women's ready-made wear accounted for a quarter of sales, men's outerwear and women's outerwear each another fifth and underwear and hosiery 11 per cent each.

Renown farms out most of its production to a huge network of subcontractors, although about a quarter of production is done at wholly owned factories, including units in Korea and Taiwan.

Downstream, the differences with M and S multiply. Renown has no single house label, but uses dozens of brands, many of them, such as Ellet (women's outerwear) invented in house, others, such as Nino Cerutti, imported, and all promoted through media advertising. It has no wholly owned shops, distributing instead to 12,700 retailers.

Renown has had trouble occasionally in keeping in touch with its customers' tastes and the volatile market and economic conditions of the 1980s caught its managers wrong-footed more often than not. In the early 1980s, it thought the Japanese market was maturing and explored the possibilities of developing south-east Asian markets with little noticeable success. That left it unprepared for the yen revaluation-induced slump of the mid 1980s and the subsequent consumer spending spree of the past three years.

While competitors were cashing in on Japanese young people's willingness to spend freely on clothing to create a personal style, Renown was wrestling with a management restructuring aimed at establishing more flexible production and distribution systems to meet consumer demands for differentiated products.

Consolidated operating profits tumbled from Y9.3bn in 1984 to Y3.9bn in 1987 and to Y2.5bn last year.

Despite this dismal performance on the operating front, Renown managers turned out to be dab hands at "zaitech," or financial engineering, that new speciality that grew explosively with the Tokyo stock market in the mid to late 1980s. Thanks to timely issues of convertible and warrant bonds and shrewd investment of net liquid assets, consolidated pre-tax profits remained relatively stable for most of the decade, going from Y12.9bn in 1984 to Y9.5bn in 1987 and Y10.7bn last year.

This year, as a new president, Mr Yasuo Kaneda, took control, the group decided that one way to improve its fortunes might be to create what one executive called yesterday a global fashion network. Aquascutum is the first step to implementing that policy.

Paris defaults on estimated Y70bn debt

By Michiyo Nakamoto in Tokyo

THE COLLAPSE of the Tokyo stock market, which has lost more than 10 per cent in value since the beginning of the year, claimed its first significant victim at the end of last week.

Paris, a small Osaka-based clothing and sewing material company, has defaulted for the second time on loans amounting to an estimated total of Y70bn ($442.5m). The company, which had been an active investor on the Tokyo stock market, was unable to repay loans it had taken out to finance its stock transactions, according to Teikoku Data Bank, a private research group in Tokyo.

The default of Paris is the most serious case of financial failure reported in connection with stock trading since Nihon Land, a big stock speculator, was declared bankrupt with debts of Y156m two years ago. Nihon Land had run into financial trouble after it had tried unsuccessfully to greenmail Konica, the camera company, into buying back its shares at inflated prices.

Paris was not a greenmailer, however, but a company that had simply tried to augment profits from its lacklustre clothing business through "zaitek," or financial arbitrage, that became popular among Japanese companies with the rapid surge in the past few years of the Japanese stock market. None the less, Paris has been known since the mid-1980s, when zaitek became popular, for its aggressive trading on the market.

Additionally the company, headed by Mr Nobuyoshi Tanaka, was not a particularly speculative investor. Unlike many of the speculators who jump from issue to issue in the hope of making quick profits and who are now thought to be under substantial financial strain due to the market's sharp fall, Paris invested mainly in solid blue-chip companies, such as Sony and NEC.

Ever since share prices plunged on the Tokyo stock market there have been many rumours of investors defaulting on their debts to securities firms. The Nikkei average, the leading index on the Tokyo Stock Exchange has lost 23 per cent since it reached a peak of 38,915 at the end of last year.

The Japan Securities Dealers Association recently issued a letter to member firms asking them to be sure that they collect a deposit from their investors before they conduct a trade.

Of all the companies thought to be under severe financial strain due to the fall in share prices, Paris is so far the biggest known casualty. The company, which is capitalised at Y45m, and was also involved in airplane leasing, made most of its profits from stock transactions. Its operating profits in the year to August, 1989 totalled Y4.5bn on sales of Y4.4bn.

In order to finance its stock trading activities, Paris borrowed heavily from Japan's large city banks as well as some regional banks, according to Teikoku Data Bank. Among Japan's big four brokers, a Nikko Securities official said he had no knowledge of his firm having dealings with Paris. An official at Nomura Securities said that although it had had business relations with Paris in the past, its default would have no damaging effect on the firm.

Merck may cut Medicaid drug prices

By Roderick Oram in New York

MERCK, the leading US pharmaceuticals group, has offered to cut prices of prescription drugs bought under government-run medical insurance programmes.

The proposal is an attempt by Merck to defuse growing concern by federal and state governments about the escalating cost of Medicaid plans, which cover the medical needs of the poorest 23m people in the US.

Merck and other drug companies have long resisted discounts because of a desire to maintain profit margins and the complexities of administering lower prices. Under Medicaid, drugs are sold by tens of thousands of pharmacists around the country.

Although prescription drugs account for only 7 per cent of the $50bn annual budget of Medicaid, a growing number of states have tried to curb costs by drawing up list of drugs doctors can prescribe under the programmes. These lists, called formularies, have often excluded newer and typically expensive drugs.

Merck says it will offer each state's Medicaid programme the lowest prices it offers bulk buyers if the state drops the formularies. The prices would only apply to drugs for which it is the sole source.

Mr Viren Mehta, of Mehta and Isley, financial analysts of pharmaceutical companies, said: "It is a very creative and useful proposal by the industry leader to overcome the biggest problem of the drug industry today." He added, however: "I have some doubts they will make this stick without further concessions."

State governments might feel, for example, that they would lose more on sales of newly approved drugs than they would save on discounted older ones.

There was no immediate response from other drug companies. They might find it hard to follow Merck's lead as they have generally offered larger discounts than it has to big buyers.

The other critical consideration for each company would be the number of new drugs it had in the pipeline, Mr Mehta added.

Companies could afford to discount well-established drugs if they gained the right to sell new, highly profitable pharmaceuticals which were excluded from the formularies or would be when they were launched.

Thus a company like Pfizer might welcome the plan while SmithKline Beecham would be at a disadvantage because of its paucity of new drugs and its existing heavy discounts of older ones.

Carrefour leaps to FFr1.18bn for year

By George Graham in Paris

CARREFOUR, the French hypermarkets group, has reported 1989 net profits of FFr1.18bn ($208m), up 30 per cent on sales 14 per cent higher at FFr73.9bn.

Mr Denis Defforey, chairman, said sales in 1990 should advance by about 10 per cent and profits by 10 to 15 per cent.

Mr Michel Bon, group managing director who will take over from Mr Defforey shortly, said the results showed an advance in all six countries in which the group operates, despite a surge in investments to FFr3.9bn.

Carrefour's gross trading margin rose by 16 per cent to FFr11.4bn, with salary costs up 12 per cent to FFr5.7bn. Pre-tax operating income climbed 35 per cent to FFr2.1bn.

The main French operations boosted net trading profit by 41 per cent to FFr662m on sales 8 per cent higher at FFr50.3bn. In Spain, where Carrefour operates the Pryca retailing change, net trading profits rose 19 per cent to FFr377m on sales of FFr12.7bn, up 20 per cent from 1988 in local currency terms.

Carrefour made FFr267m net trading profits in Brazil, up 44 per cent in deflated local currency terms, with sales ahead 45 per cent in volume to FFr8bn. In Argentina the group made FFr32m profits, on sales up 26 per cent in volume to FFr826m.

The group's Philadelphia store in the US broke even before depreciation in its second year of trading. Last year Carrefour opened its first store in Taiwan.

Farley's troubles mount as Pepperell writes off $450m

By Roderick Oram

WEST POINT-Pepperell, the big US textile company acquired last year by Mr William Farley, has been forced to take a $450m write-off, adding to the financial troubles of the Chicago industrialist.

The charge was for the writedown of assets West Point-Pepperell has sold or is trying to sell. Proceeds from the disposals are turning out lower than expected because some of the businesses have suffered "disappointing operating results." The collapse of the junk bond market is also making it harder for buyers to finance the acquisitions.

Mr Farley, who made extensive use of junk bond finance to build up his industrial holdings, is locked in negotiations with banks and bond holders.

West Point-Pepperell has defaulted on $796m of bank debt and has missed interest payments on bonds Mr Farley floated to finance his $1.56bn takeover of the company. He has yet to round up the finance for the last 5 per cent of the stock outstanding.

It is thought likely he will have to offer creditors a significant, if not majority, stake in West Point-Pepperell to pull off a renegotiation of the company's debt and bonds. The write-off deepens the gloom surrounding the talks.

The charge was taken in the nine months ended December 31 1989, results for which were released over the weekend. The company reported sales of $962.1m and a net profit from continuing operations of $12.4m. The write-off, net of a $69m tax benefit, resulted, though, in a net loss of $428.8m or $15.24 a share.

The company offered no figures for the period a year earlier because it has changed the date of its financial year-end to the calendar year-end from late September. In the 12 months ended September 1988 it had a net profit of $84.4m on sales of $852.8m.

The latest results shed no light on West Point-Pepperell's operations under Mr Farley nor on his negotiations with banks and bond holders.

Asarco to lift spending despite fall

By Kenneth Gooding, Mining Correspondent

ASARCO, the US group which is changing from a metal smelting and refining organisation into a fully integrated mining company, saw first-quarter earnings fall by nearly half. But the company is to increase spending from the previously announced $260m to $350m to boost copper output.

Earnings fell from $68.6m or $1.63 a share to $35.8m and 86 cents on sales down 16 per cent from $618.2m to $521.2m.

However, Mr Richard Osborne, chairman, said the results were in line with the group's expectations, given the lower prices of copper, zinc and silver.

He said demand for the metals was good in the quarter and strengthened significantly in March. Supplies of the products were tight and the outlook for demand was good.

Higher margins buoy Cummins

By Martin Dickson in New York

CUMMINS Engine, the leading US diesel engine manufacturer which has lost money in three of the past four years, yesterday reported net profits of $8.9m in the opening period.

This compares with a $9.8m net loss in last year's fourth quarter and a $19.5m profit in the first period of 1989. Earnings per share were 41 cents against $1.45 fully diluted at the same time last year. Sales dropped to $861m from $921m.

The company's prime market for US heavy duty truck engines declined in the middle of last year and Cummins noted that first-quarter truck production was down 23 per cent on a year earlier.

However, it said that higher margins on its B and C series engines, increased interest income and reduced warranty expenses had enabled it to make a first-quarter profit.

The profits outlook for the rest of the year would depend heavily on market conditions and no immediate recovery was expected in the heavy duty trucks sector. It estimated that demand would remain level in the summer, with a gradual improvement later in the year.

The company has faced strong criticism over its performance from Industrial Equity (Pacific), Sir Ron Brierley's investment vehicle which holds a 14.9 per cent stake.

Hafnia steps up payout after modest rise

HAFNIA, Denmark's second largest insurance-based finance group, lifted 1989 net profits to DKr1.5bn ($234m) from DKr1.4bn and is to raise the dividend from 8 per cent to 10 per cent, writes Xueling Lin in Copenhagen.

Mr Per Villum Hanen, administrative director for Hafnia Holding, said the positive results showed a general improvement in group operations, particularly in the insurance side. Capital gains resulting from a change in investment policy regarding securities also helped.

The group took a large step towards internationalisation of its activities last year by investing in property in Paris and acquiring Prolific, the UK unit trust, life assurance and pension fund group, and Cambio + Valorenbank in Zurich.

Goodwill of DKr1bn acquired through Hafnia's investments in other companies in 1989 was written down in full under shareholders' equity.

The only sector of the group which did not meet expectation was Hafnia Merchant Bank, the investment banking arm, which posted a profit of DKr33m against DKr138m. The drop was blamed on a delay in reshaping the bank's activities.

Abitibi-Price slips to loss in first quarter

By Bernard Simon in Toronto

ABITIBI-PRICE, one of the world's leading newsprint suppliers, slipped to a first-quarter loss, joining a string of other Canadian forestry companies which have been hit by weakening markets.

Abitibi suffered a C$2.6m (US$2.24m) loss, equal to five cents a share, in the three months to March 31, compared with income of C$26.3m or 35 cents a year earlier. Sales dropped to C$784.8m from C$810.1m.

The loss does not include a C$13.7m extraordinary charge stemming mainly from the write-off of a Florida-based office products business which is being liquidated. Excluding the extraordinary item, operating profit totalled C$7.8m, down from C$48.5m.

The dividend has been halved to 12.5 cents a share.

Abitibi ascribed the reversal to weak newsprint prices, "poor performance" of its groundwood and coated papers businesses, and a rise in short-term interest payments from virtually zero to C$5.2m.

These factors more than offset higher earnings from building products and a diverse group of value-added products, such as distribution of industrial and printing papers.

The poor performance of the forest products sector has been a feature of Canada's first-quarter corporate earnings.

Several producers have announced austerity measures to deal with the deteriorating business climate, including dividend cuts, reduced capital spending and mothballing of production facilities.

Canadian newsprint producers are also trying to push through a 5 per cent price increase for the US and Canada, from June 1, but are meeting customer resistance.

Mr Bernd Koken, Abitibi's chairman, said that even with the price increase, newsprint earnings were expected to remain "below acceptable levels" until additions to capacity were reduced or more machines were shut down.

Kao profit advances to Y38.7bn

By Ian Rodger in Tokyo

KAO, the Japanese household products group that has been expanding rapidly overseas in the past year in the floppy disk business, has reported a 10.6 per cent rise in pre-tax profits to Y38.7bn ($245m) in the year to March 31.

Sales grew only 4.6 per cent to Y545.4bn, reflecting the maturing of the Japanese market for household products and intensified price competition, especially in laundry detergents.

Turnover on personal care products rose 4 per cent to Y183.7bn while laundry and cleansing products gained 4.3 per cent to Y220.2bn.

Hygiene products increased 7.5 per cent to Y69.5bn and sales of chemical products advanced 4.5 per cent to Y72bn.

Net income was Y19.8bn or Y38.91 per share, up 29.4 per cent. Consolidated net income rose 1.6 per cent to Y17.8bn or Y34.85 per share on net sales of Y620.4bn, up 8.4 per cent.

INTERNATIONAL CAPITAL MARKETS

Korea fund comes at difficult time

By Deborah Hargreaves

THE LAUNCH of a new Korea fund by Barclays de Zoete Wedd yesterday comes as single country funds have entered one of their most difficult trading periods.

BZW yesterday launched the Korea Equity Trust, a $50m fund to invest in the Korean stock market. According to Mr Anthony Stranger-Jones at BZW, it is a good time to be putting money into Seoul, since the stock market's recent decline offers a good buying opportunity.

Investors will also not have to pay the sort of high premiums at which country funds have traded. As recently as last November, the Korea fund listed in New York was trading at a premium of 120 per cent to net asset value.

Country funds have ridden a wave of popularity in recent years. They present an easy and cheap way for investors to gain exposure to some of the world's fast-growing stock markets and have proved a useful way for fund managers to diversify their portfolios.

But, after bidding some of the country funds up to huge premiums on their net asset values, many investors have now bailed out, leaving the share prices in the funds to plummet.

This has been most marked in the US, where premiums were much higher than among the UK-listed funds and where Japanese investors had bought sizeable chunks of equity. Political events in Europe last year fuelled much of the interest in country funds — particularly those offering a play on eastern Europe — and investors had been interested in the European Community in the run-up to the single market from the end of 1992.

The fall from grace of country funds is demonstrated clearly by the trading record of funds such as the Spain and Portugal funds.

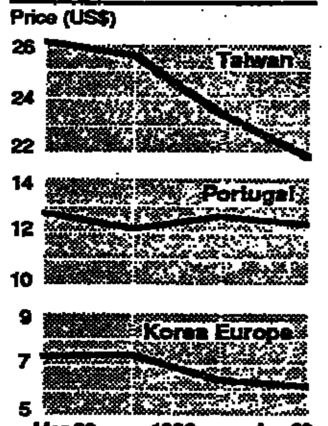
The US-based funds investing in Spain had been trading at premiums of over 100 per cent to their net asset value around the beginning of the year, and have now dropped to a slight discount on net asset value.

The drop in the share prices of country funds has been a reflection of the increasing introspection of the Japanese who, concerned at the volatility in their own stock market, are backtracking on their overseas diversification.

The proliferation of country funds has also tended to push prices down — in recent months, barely a week has gone by without the announcement of a new fund.

Country Funds

Price (US$)



Source: Swiss Bank Corporation

However, BZW has some reason to be sanguine about its new Korea fund, since foreign investors' activity in the Korean stock market is still extremely limited and one of the few ways to gain exposure is through the auspices of a fund.

There has been less justification for some of the huge premiums on funds investing in open stock markets such as Spain.

"A premium of more than 30 per cent on a market you can easily get into is crazy," says Mr Charles Lillis at Merrill Lynch. Institutional investors should be investing in those markets directly, he says.

Nevertheless, country funds have a remarkably volatile trading history, and their proponents have often pointed out that cash should be invested in them for the long haul without the risk of having to recall it during a market downturn.

European-based funds enjoy reduced volatility partly because they have tended to attract a more sophisticated and broader-based clientele. UK investors often dislike funds as trading vehicles, as they are more used to the unit trust structure, but funds are preferred by their Far Eastern counterparts.

Shake-up boosts German bank

By Katharine Campbell in Frankfurt

PARTIAL operating profits at Schröder Münchmeyer Hengst, the German private bank controlled by Lloyds Bank of the UK, climbed by more than 60 per cent last year, in sharp contrast to the 22 per cent slump in earnings that took place in 1988.

SMH has been restructuring after five partners bought a 5 per cent share in the business from Lloyds, a stake they intend to increase in coming years. While the turnround entailed increases in administration costs of 13 per cent during the past 12 months, the bank was able to ride with the booming domestic stock market and produce results which it thinks vindicate its increasing specialisation in securities.

While the bank chooses not to reveal precise profit figures, Mr Jochen Neynaber, co-chairman, said that commission income improved almost 50 per cent on 1988, with interest income up 14 per cent. Like several other banks, it lost money on bond trading as interest rates rose sharply.

The first quarter of 1990 has seen a further rise in earnings, but Mr Neynaber was careful to stress that the steep increase in stock exchange turnover which facilitated the increase — daily volumes three times those of the London market — was unsustainable.

SMH almost doubled the value of its assets under management to more than DM4bn last year, and hopes for further increases, targeting in particular West German corporate funds. It has also made a large commitment to the new options exchange, the Deutsche Terminbörse, where it makes markets in seven blue-chip stocks. Around 70 per cent of its in-house turnover results from market-making, the bank says, adding that institutional investors have so far held back from the market.

Mr Neynaber downplayed the immediate attractions of the lending business in East Germany, and hinted that the office in West Berlin would focus as much on investment management services.

Sanwa opens subsidiary in Ireland ahead of 1992

SANWA BANK, a leading Japanese bank, has opened a wholly owned subsidiary in Dublin to meet administrative needs of the unit trust market in Ireland, Reuter reports.

The subsidiary, Sanwa International (Ireland), is capitalised at I£1m. "The establishment of Sanwa International (Ireland) will reinforce our European Community presence and upgrade our ability to respond effectively to diverse client needs," the bank said.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, April 23,1990 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	60 6477	35.7335	38.4689
Albania	(Lek)	10.0625	6.1487	3.6228	3.9001
Algeria	(Dinar)	13.08	7.9926	4.7092	5.0697
Andorra	(Fr Fr)	9.3200	5.6950	3.3555	3.6124
	(Sp Peseta)	174.85	106.8438	62.9522	67.7713
Angola	(Kwanza)	49.8405u	29.9180	17.9443	19.3180
Antigua	(E Carr $)	4.4153	2.6980	1.5896	1.7113
Argentina	(Austral)	8251.10	5041.9187	2970.6930	3198.1007
Aruba	(Florin)	2.9272	1.7886	1.0538	1.1345
Australia	(Aus $)	2.1345	1.3043	0.7684	0.8273
Austria	(Schilling)	19.545	11.9431	7.0369	7.5755
Azores	(Port Escudo)	245.00	149.7097	88.2088	94.9612
Bahamas	(Bahama $)	1.6365	1	0.5891	0.6343
Bahrain	(Dinar)	0.6172	0.3771	0.2222	0.2392
Balearic Is	(Sp Peseta)	174.85	106.8438	62.9522	67.7713
Bangladesh	(Taka)	54.50	33.3027	19.6219	21.1240
Barbados	(Barb $)	3.2891	2.0098	1.1841	1.2748
Belgium	(Belg Fr)	57.35	35.0443	20.6480	22.2286
Belize	(B $)	3.2706	1.9985	1.1775	1.2676
Benin	(CFA Fr)	466.00	284.7540	167.7767	180.6201
Bermuda	(Bermudian $)	1.6365	1	0.5891	0.6343
Bhutan	(Ngultrum)	29.50	18.0252	10 6210	11.4341
Bolivia	(Boliviano)	5.0613	3.0927	1.8222	1.9617
Botswana	(Pula)	3.10	1.8942	1.1161	1.2015
Brazil	(Cruzado)	97.3125	59.4637	35.0360	37.7180
British Virgin Is	(US $)	1.6365	1	0 5891	0.6343
Brunei	(Brunei $)	3.07	1.8759	1.1053	1.1899
Bulgaria	(Lev)	1.3122	0.8018	0.4724	0.5086
Burkina Faso	(CFA Fr)	466.00	284.7540	167.7767	180 6201
Burma	(Kyat)	10.7780	6.5860	3.8804	4.1775
Burundi	(Burundi Fr)	293.75	179.4989	105.7605	113.8565
Cambodia	(Riel)	356.76o	218	128.4464	138.2790
Cameroon	(CFA Fr)	466.00	284.7540	167.7767	180.6201
Canada	(Canadian $)	1.8990	1.1604	0.6837	0.7360
Canary Is	(Sp Peseta)	174.85	106.8438	62.9522	67.7713
Cp. Verde	(CV Escudo)	120 16	73.4249	43.2619	46.5736
Cayman Is	(CI $)	1.3573u	0.8300	0.4886	0.5260
Cent. Afr. Rep	(CFA Fr)	466.00	284.7540	167.7767	180.6201
Chad	(CFA Fr)	466.00	284.7540	167.7767	180.6201
Chile	(Chilean Peso)	486.57	297.3235	175.1827	188.5930
China	(Renminbi Yuan)	7.7563	4.7389	2.7921	3.0059
Colombia	(Col Peso)	776.48	474.4760	279.5607	300.9612
Comoros	(CFA Fr)	466.00	284.7540	167.7767	180.6201
Congo (Brazz)	(CFA Fr)	466.00	284 7540	167.7767	180.6201
Costa Rica	(Colon)	141.3717	86.3866	50.8989	54.7952
Côte d'Ivoire	(CFA Fr)	466.00	284.7540	167.7767	180.6201
Cuba	(Cuban Peso)	1.3030	0.7962	0.4691	0.5050
Cyprus	(Cyprus £)	0.7850	0.4796	0.2826	0.3042
Czechoslovakia	(Koruna)	27.13c	16.5780	9.7677	10.5155
		50.96t	31.1396	18.3474	19.7519
Denmark	(Danish Kroner)	10.5600	6.4527	3.8019	4.0930
Djibouti Rep	(Djib Fr)	285.00	174.1521	102.6102	110.4651
Dominica	(E Carrib $)	4.4153	2.6980	1.5896	1.7113
Dominican Rep	(D Peso)	13.7817	8.4214	4.9619	5.3417
Ecuador	(Sucre)	1180.96o	721.6376	425.1881	457.7364
		1278.18a	781.0449	460.1908	495.4186
Egypt	(Egyptian £)	4.36	2.6642	1.5697	1.6899
El Salvador	(Colon)	10.3901	6.3489	3.7408	4.0271
Equat'l Guinea	(CFA Fr)	466 00	284.7540	167.7767	180.6201
Ethiopia	(Ethiopian Birr)	3.3615	2.0540	1.2102	1.3029
Falkland Is	(Falk £)	1.00	0.6110	0.3600	0.3875
Faroe Is	(Danish Kroner)	10.5600	6.4527	3.8019	4.0930
Fiji Is	(Fiji $)	2.5008	1.5281	0.9003	0.9693
Finland	(Markka)	6.5473	4	2.3572	2.5377
France	(Fr)	9.3200	5.6950	3.3555	3.6124
Fr. Cty/Africa	(CFA Fr)	466.00	284.7540	167.7767	180.6201
Fr. Guiana	(Local Fr)	9.3200	5.6950	3.3555	3.6124
Fr. Pacific Is	(CFP Fr)	166.00	101.4359	59.7659	64.3410
Gabon	(CFA Fr)	466.00	284.7540	167.7767	180.6201
Gambia	(Dalasi)	13.6109	8.3170	4.9004	5.2755
Germany East	(Ostmark)	2.7775	1.6972	1	1.0765
Germany West	(DMark)	2.7775	1.6972	1	1.0765
Ghana	(Cedi)	515.4975	315	185.5976	199.8052
Gibraltar	(Gib £)	1.00	0.6110	0.3600	0.3875
Greece	(Drachma)	270.95	165.5667	97.5517	105.0193
Greenland	(Danish Krone)	10.5600	6.4527	3.8019	4.0930
Grenada	(E Carr $)	4.4153	2.6980	1.5896	1.7113
Guadaloupe	(Local Fr)	9.3200	5.6950	3.3555	3.6124
Guam	(US $)	1.6365	1	0.5891	0.6343
Guatemala	(Quetzal)	6.4152	3.9200	2.3097	2.4865
Guinea	(Fr)	490.59	299.7800	176.6300	190.1511
Guinea-Bissau	(Peso)	1062.94u	650	382.6966	411.9922
Guyana	(Guyanese $)	53.988u	33	19.4376	20.9255
Haiti	(Goude)	8.1765u	5	2.9438	3.1691
Honduras	(Lempira)	7.229u	4.4250	2.6027	2.8019
Hong Kong	(HK $)	12.7485	7.7901	4.5899	4.9412
Hungary	(Forint)	106.9067	65.3264	38.4902	41.4367
Iceland	(Icelandic Krona)	99.80	60.9838	35.9315	38.6821
India	(Indian Rupee)	29.50	18.0262	10.6210	11.4341
Indonesia	(Rupiah)	2996.69	1831.1579	1078.9162	1161.5077
Iran	(Rial)	115.80	70.4000	41.6921	44.8837
Iraq	(Iraqi Dinar)	0.5096	0.3113	0.1834	0.1975
Irish Rep	(Punt)	1.0350	0.6324	0.3726	0.4011
Israel	(Shekel)	3.305	2.0195	1.1899	1.2810
Italy	(Lira)	2037.50	1245.0351	733.5733	789.7286
Jamaica	(Jamaican $)	11.2557	6.8779	4.0524	4.3626
Japan	(Yen)	258.00	157.6535	92.8892	100
Jordan	(Jordanian Dinar)	1.0924	0.6675	0.3933	0.4234
Kenya	(Kenya Shilling)	37.69	23.0308	13.5697	14.6085
Kiribati	(Australian $)	2.1345	1.3043	0.7684	0.8273
Korea North	(Won)	1.5862	0.9692	0.5710	0.6148
Korea South	(Won)	1156.65	706.1717	416.0756	447.9263
Kuwait	(Kuwaiti Dinar)	0.4801	0.2933	0.1728	0.1860
Laos	(New Kip)	1177.42	719.4744	423.9135	456.3643
Lebanon	(Lebanese £)	976.17	596.4986	351.4563	378.3604
Lesotho	(Maluti)	4.3475	2.6565	1.5652	1.6850
Liberia	(Liberian $)	1.6365	1	0.5891	0.6343
Libya	(Libyan Dinar)	0.4811	0.2939	0.1732	0.1864
Liechenstein	(Swiss Fr)	2.4425	1.4925	0.8793	0.9467
Luxembourg	(Lux Fr)	57.35	35.0443	20.6480	22.2286
Macao	(Pataca)	13.1965	8.0638	4.7512	5.1149
Madeira	(Port Escudo)	245.00	149.7097	88.2088	94.9612
Malagasy Rep	(MG Fr)	2070.75	1265.3528	745.5445	802.6162
Malawi	(Kwacha)	4.6990	2.8713	1.6918	1.8213
Malaysia	(Ringgit)	4.4457	2.7165	1.6006	1.7231
Maldive Is	(Rufiya)	15.3685	9.3910	5.5332	5.9567
Mali Rep	(CFA Fr)	466.00	284.7540	167.7767	180.6201
Malta	(Maltese £)	0.5430	0.3318	0.1954	0.2104
Martinique	(Local Fr)	9.3200	5.6950	3.3555	3.6124
Mauritania	(Ouguiya)	136.6293	83.4887	49.1914	52.9570
Mauritius	(Maur Rupee)	24.7348	15.1144	8.9054	9.5871
Mexico	(Mexican Peso)	4581.00a	2799.2667	1649.3249	1775.5813
		4495.44d	2746.9844	1618.5202	1742.4186
Miquelon	(Local Fr)	9.3200	5.6950	3.3555	3.6124
Monaco	(French Fr)	9.3200	5.6950	3.3555	3.6124
Mongolia	(Tugrik)	5.4872u	3.3555	1.9755	2.1268
Montserrat	(E Carr $)	4.4153	2.6980	1.5896	1.7113
Morocco	(Dirham)	13.0265	7.9599	4.6900	5.0490
Mozambique	(Metical)	1506.13	920.3360	542.2610	583.7713
Namibia	(S A Rand)	4.3475	2.6565	1.5652	1.6850
Nauru Is	(Australian $)	2.1345	1.3043	0.7684	0.8273
Nepal	(Nepalese Rupee)	46.4425	28.3791	16.7209	18
Netherlands	(Guilder)	3.1225	1.9080	1.1242	1.2102
N'nd Antilles	(A/Guilder)	2.9272u	1.7900	1.0538	1.1345
New Zealand	(NZ $)	2.8042	1.7135	1.0096	1.0868
Nicaragua	(Cordoba)	83737.60	51168.7137	30148.5508	32456.4341
Niger Rep	(CFA Fr)	466.00	284.7540	167.7767	180.6201
Nigeria	(Naira)	12.8862	7.8742	4.6394	4.9946
Norway	(Nor. Krone)	10.7400	6.5627	3.8667	4.1627
Oman	(Rial Omani)	0.6302	0.3850	0.2268	0.2442
Pakistan	(Pak. Rupee)	36.00	21.9981	12.9612	13.9534
Panama	(Balboa)	1.6365	1	0.5891	0.6343
Papua New Guinea	(Kina)	1.5873	0.9699	0.5714	0.6152
Paraguay	(Guarani)	2023.74	1236.6269	728.6192	784.3953
Peru	(Inti)	20943.2	12797.5857	7540.3060	8117.5193
Philippines	(Peso)	36.00	21.9981	12.9612	13.9634
Pitcairn Is	(£ Sterling)	1.00	0.6110	0.3600	0.3875
	(NZ $)	2.8042	1.7135	1.0096	1.0868
Poland	(Zloty)	15435.00	9431.7140	5557.1557	5982.5581
Portugal	(Escudo)	245.00	149.7097	88.2088	94.9612
Puerto Rico	(US $)	1.6365	1	0.5891	0.6343
Qatar	(Riyal)	5.96	3.6419	2.1458	2.3100
Reunion Is. de la	(F/Fr)	9.3200	5.6950	3.3555	3.6124
Romania	(Leu)	34.421	21.0326	12.3924	13.3410
Rwanda	(Fr)	128.35	78.4295	46.2106	49.7480
St Christopher	(E Carr $)	4.4153	2.6980	1.5896	1.7113
St Helena	(£)	1.00	0.6110	0.3600	0.3875
St Lucia	(E Carr $)	4.4153	2.6980	1.5896	1.7113
St Pierre	(French Fr)	9.3200	5.6950	3.3555	3.6124
St Vincent	(E Carr $)	4.4153	2.6980	1.5896	1.7113
San Marino	(Italian Lira)	2037.50	1245.0351	733.5733	789.7286
Sao Tome	(Dobra)	172.39	105.3406	62.0666	66.8178
Saudi Arabia	(Riyal)	6.1396	3.7516	2.2104	2.3796
Senegal	(CFA Fr)	466.00	284.7540	167.7767	180.6201
Seychelles	(Rupee)	10.00	6.1106	3.6003	3.8759
Sierra Leone	(Leone)	193.05	117.9651	69.5049	74.8255
Singapore	($)	3.0700	1.8759	1.1053	1.1899
Solomon Is	($)	4.0798	2.4930	1.4688	1.5813
Somali Rep	(Shilling)	670.47	409.6975	241.3933	259.8720
South Africa	(Rand)	4.3475c	2.6565	1.5652	1.6850
		6.4778g	3.9583	2.3322	2.5107
Spain	(Peseta)	174.85	106.8438	62.9522	67.7713
Spanish Ports in N Africa	(Sp Peseta)	174.85	106.8438	62.9522	67.7713
Sri Lanka	(Rupee)	65.00	39.7189	23.4023	25.1937
Sudan Rep	(£)	18.7242	11.4416	6.7413	7.2574
Surinam	(Guilder)	2.9108	1.7786	1.0479	1.1282
Swaziland	(Lilangeni)	4.3475	2.6565	1.5652	1.6850
Sweden	(Krona)	10.0400	6.1350	3.6147	3.8914
Switzerland	(Fr)	2.4425	1.4925	0.8793	0.9467
Syria	(£)	34.3413u	21	12.3641	13.3105
Taiwan	($)	43.15	26.3672	15.5355	16.7248
Tanzania	(Shilling)	315.90	193.0339	113.7353	122.4418
Thailand	(Baht)	43.50	26.5811	15.6615	16.8604
Togo Rep	(CFA Fr)	466.00	284.7540	167.7767	180.6201
Tonga Is	(Pa Anga)	2.1345	1.3043	0.7684	0.8273
Trinidad/Tobago	($)	6.95	4.2468	2.5022	2.6937
Tunisia	(Dinar)	1.4872	0.9087	0.5354	0.5764
Turkey	(Lira)	4133.67	2525.9211	1488.2700	1602.1976
Turks & Caicos	(US $)	1.6365	1	0.5891	0.6343
Tuvalu	(Australian $)	2.1345	1.3043	0.7684	0.8273
Uganda	(New Shilling)	623.03	380.7088	224.3132	241.4844
U A E	(Dirham)	6.0119	3.6736	2.1645	2.3301
United Kingdom	(£)	1.00	0.6110	0.3600	0.3875
United States	(US $)	1.6365	1	0.5891	0.6343
Uruguay	(Peso)	1615.29	987.0394	581.5625	626.0813
USSR	(Rouble)	0.9911	0.6056	0.3568	0.3841
Vanuatu	(Vatu)	197.19	120.4949	70.9954	76.4302
Vatican	(Lira)	2037.50	1245.0351	733.5733	789.7286
Venezuela	(Bolivar)	72.7821	44.4742	26.2041	28.2101
Vietnam	(Dong)	7358.85	4496.7002	2649.4509	2852.2674
Virgin Is-British	(US $)	1.6365	1	0.5891	0.6343
Virgin Is-US	(US $)	1.6365	1	0.5891	0.6343
Western Samoa	(Tala)	3.7285	2.2783	1.3423	1.4451
Yemen	(Rial)	19.3292	11.8113	6.9592	7.4919
Yemen PDR	(Dinar)	0.5560u	0.3400	0.2001	0.2156
Yugoslavia	(Dinar)	19.3161	11.8032	6.9544	7.4868
Zaire Rep	(Zaire)	868.95	530.9807	312.8532	336.8023
Zambia	(Kwacha)	64.45	39.3828	23.2043	24.9806
Zimbabwe	($)	3.9650	2.4228	1.4275	1.5368

Special Drawing Rights April 20, 1990 United Kingdom £0.793842 United States $1.30452 Germany West D Mark 2.19342 Japan Yen205.266 European Currency Unit Rates April 23,1990
United Kingdom £0.737395 United States $1.20653 Germany West D Mark 2.04808 Japan Yen190.052

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; †Nicaragua: Cordoba devalued by approx. 4.88% (10/4/90). (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, April 23,1990.

INTERNATIONAL COMPANIES

Capital Markets bids for Fay, Richwhite bank arm

By Terry Hall in Wellington

CAPITAL MARKETS Ltd., which bought a 30 per cent controlling stake in the Bank of New Zealand (BNZ) last year, is seeking to acquire the merchant banking business of Fay, Richwhite, it announced yesterday.

Fay, Richwhite – best known internationally for its protracted battles on the water and in court to gain control of the America's Cup – has been controlled till now by its founders Mr Michael Fay and Mr David Richwhite. They floated Capital Markets as a finance and investment susidiary in 1987, but it was a lacklustre company till used as the vehicle to buy control of the BNZ.

Under the proposed merger Capital Markets will pay NZ$225m (US$130m) for Fay, Richwhite's merchant banking, equities and futures trading operations. This will comprise a payment of NZ$110m in cash and the issue of 115m Capital Markets shares at NZ$1, a little under yesterday's market price of NZ$1.05, although the shares have eased in recent weeks from NZ$1.55 coinciding with a sizeable cash issue to help fund the BNZ purchase and a weaker New Zealand sharemarket.

Capital markets is to be renamed Fay, Richwhite and Co. If approved by shareholders the purchase will see Fay Richwhite Holdings increase its ownership of Capital Markets from 62 to 75 per cent.

Excluded from the arrangement are a number of Fay, Richwhite associated share and property companies and non merchant banking activities, including the substantial funding involvement for the America's Cup challenge.

Fay, Richwhite was started in humble circumstances in 1975 by Mr Fay, a lawyer, and Mr Richwhite, an accountant, who had both worked for Securitibank, a company which crashed spectacularly soon after. Fay, Richwhite began slowly, but showed phenomenal growth in the early 1980s under the controlled financial environment set up by former Finance Minister Sir Robert Muldoon.

After the financial freedoms following the election of the Labour Government in 1985 it became a significant player in the Eurokiwi market.

It has developed a strong international presence with more than half its 220 staff working overseas. Earnings sourced from Australia and Britain last year exceeded those from New Zealand, Mr Fay said yesterday.

The company's merchant banking operations have earned an average NZ$38m before tax over the past four years, with a peak of NZ$52m on revenue of NZ$92.7m in 1988. Profit before tax for 1991 is budgeted at NZ$42.8m on revenue of NZ$90m. The prospective price earnings ratio on projected 1991 earnings is 5.25 pre-tax and 7.8 after tax.

Mr Fay said Capital Markets' directors took independent advice on the acquisition, and an independent valuation is expected to be sent to shareholders in early June. He said directors saw long-term benefits from higher dividend flows and growth in asset value.

Taiwanese cement group buys US bank

CHINA REBAR, a leading Taiwanese cement and steel producer, has acquired the Los Angeles-based Omni Bank for $20m, writes Peter Wickenden in Taipei.

It is the first buy-out of a US financial institution by a non-financial Taiwanese company. Rebar is one of more than a dozen local groups planning to set up new private banks in Taiwan next year.

Mrs Wang Ching She-ying, Rebar executive director, said Omni would be integrated with the domestic operation to act as a conduit for the increasing flow of Taiwanese capital into southern California and neighbouring states. She will head a new consultative board of directors to plan the bank's expansion.

Omni serves the Chinese community in Los Angeles. It has assets of about $45m and saw a 15 to 20 per cent return on equity last year, according to those involved in the deal.

They added that unlike many of its 450 competitors in the state, Omni was not saddled with bad loans related to real estate.

Rebar reported a 72.4 per cent increase in pre-tax earnings for the first quarter this year.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 23

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

INTERNATIONAL CAPITAL MARKETS

Advisers from UK and US form transatlantic link

By David Lascelles

HAMBRO MAGAN and the Blackstone Group, two successful independent corporate advisers in the UK and the US, have formed an alliance to work on transatlantic mergers and acquisitions.

The arrangement, based on fee-sharing, is the first for Hambro Magan, which was formed in London two years ago by Mr George Magan, formerly of Morgan Grenfell, and members of the Hambro merchant banking family. For New York-based Blackstone, formed five years ago by executives from Lehman Brothers, it adds to a network which extends to Japan, Canada and France.

Mr Magan said yesterday that the concept of small financial houses was now well established, and that the creation of relationships enabled them to access the global markets without having to set up chains of branches.

"This gives us tremendous opportunities for UK clients who are looking at the US," he said. "But at the same time it enables us to retain our identity."

Mr Stephen Schwarzman, president and chief executive of Blackstone, said there was very strong demand in the US for mergers and acquisitions advice about Europe, and the relationship with Hambro Magan would improve his firm's ability to meet this demand.

Blackstone is 20 per cent owned by Nikko Securities, one of the big four Japanese securities houses.

It also has alliances with Banque Indosuez in France and Toronto-ominion Bank in Canada.

Hambro Magan has been involved in last year's acquisitions by Ford of Jaguar and by Deutsche Bank of Morgan Grenfell.

Blackstone's deals include Sony's acquisition of CBS Records and Columbia Pictures, and Bridgestone's merger with Firestone.

Yesterday's alliance adds to an increasing number of international relationships among advisory firms. Both Hambro Magan and Blackstone said that they would be seeking further partners in continental Europe.

Japan poised to approve Globex trading system

GLOBEX, the automated futures trading system, is expected to be approved in Japan after a year and a half of negotiations, Reuter reports.

Only technical details need to be worked out with Japan's Finance Ministry, said Mr Leo Melamed, who is overseeing the launch of Globex for the Chicago Mercantile Exchange.

Globex, an after-hours electronic trading system developed by Reuters and the CME, is the first major attempt at global computerised futures trading and should be operational by this summer, CME officials said.

The MoF's approval of the system would allow Japanese futures exchanges to list contracts on Globex. CME officials have been attempting to enlist either the Tokyo International Financial Futures Exchange (Tiffe) or the Osaka Stock Exchange to Globex.

Mr Melamed said he would meet MoF officials in Tokyo this week to discuss progress. "Investor protection problems and regulatory issues have already been satisfied. I think that officials are now trying to build a consensus about allowing Globex in."

Mr Melamed said the US Treasury department had been encouraging the MoF to accept Globex as part of the US request that Japan open up its financial markets.

Globex officials could also soon reach agreement with the Chicago Board of Trade on a way to combine its planned Aurora system with Globex.

Sumitomo Life to buy 5% of Fiat finance arm

By Haig Simonian in Milan

SUMITOMO LIFE, the leading Japanese insurance company, is to pay L13.2bn ($10.7m) for a stake of around 5 per cent in Mito, the main financial services concern owned by Italy's Fiat group.

The sale, which has to be formally approved at Mito's shareholders' meeting, comes as part of a wider internationalisation of ownership and alliances among financial and investment concerns owned by Fiat or its controlling Agnelli family.

Earlier this month, Citicorp paid L30bn for a 2 per cent holding in Ifil, an Agnelli family holding group, putting it alongside other foreign minority shareholders, such as Daiwa Kreditbank, of Luxembourg, and the Kuwaiti government pension fund.

According to Fiat, Sumitomo Life will use Mito, which is planning to change its name to Prime, to co-ordinate its own investment activities in Italy. Sumitomo Life and Mito have a long-standing co-operation, including exchanges of personnel and know-how, Fiat said.

The announcement of the deal coincides with plans by Mito to bring in further outside institutional investors at some of its financial services subsidiaries.

The group has a joint venture in fund management with Merrill Lynch dating from 1988, and last year it bought a 20 per cent stake in Ges Invest, the investment company controlled by Portugal's Espirito Santo group.

As a result, Augusta Assicurazioni, a subsidiary of the Toro insurance group, which is also linked to Fiat and the Agnellis, will buy a L16.25bn stake in Prime Consult as part of a planned capital increase.

● Italian total bank lending increased by about 17.3 per cent year-on-year in March compared with 18.2 per cent in February, according to the Bank of Italy.

Lire bank lending growth was running at an estimated 17.9 per cent in March against 18.6 per cent a month earlier.

German yields leap on currency merger offer

By Deborah Hargreaves in London and Janet Bush in New York

GOVERNMENT BONDS

THE GERMAN government bond market was rocked yesterday by Bonn's offer of a one-to-one exchange rate for East German wages and savings up to a limit of 4,000 East German Marks in the run-up to currency union in July.

The Bundesbank had previously warned of the inflationary implications of such a swap and had advocated a two-for-one exchange.

The news shook the bund market's recent nervousness and pushed cash bunds down by 60 pfennigs. The benchmark 7¾ per cent 2000 bund was fixed at 93.15 yesterday, offering a yield of 8.81 per cent after Friday's level of 93.75 with a yield of 8.71 per cent.

The two Germanys will meet to decide the details of monetary union next week. The market continues to be concerned about inflation and has its eye on the wage negotiations of the country's largest union, IG Metall.

The futures contract, which is traded in London, tumbled to a key support point yesterday at a low of 81.73 when traders began to feel the market was oversold and some buying started to trickle back into the market. The futures contract then edged back upwards in later trading to 82.45 near the close, just slightly down from Friday's level of 82.51. Futures trading was helped in late trading by the recovery of the US Treasury market.

■ UK GILTS caught some of the pessimism of the German bond market yesterday and struggled with some less than optimistic economic figures of its own. The release of the Bank of England's M4 figure for lending did not impress the gilts market, as it showed little let-up in lending rates. With the market's current focus on inflation, this was deemed to bode ill for the economy.

The market drooped on the release of the figures and on the poor performance in Germany, but once they had digested the figures, gilts traders decided they were not so bad after all. This led to the long gilt futures market recovering to a level of around 79.09 from its low yesterday of 78.22.

However, the showing in the longer end of the cash market was not as favourable. The benchmark 11¾ per cent 2003/07 gilt fell 5 ticks from 96¼ to 96$\frac{3}{32}$ with a yield of 12.3 per cent.

Traders expect little activity in the market in the run-up to tomorrow's release of UK trade figures.

■ US Treasury bonds drifted lower yesterday amid continued nervousness after last week's plunge in prices on concerns that inflationary pressures will persuade the US Federal Reserve to tighten monetary policy.

In late trading, short-dated maturities were around $\frac{1}{16}$ lower and the Treasury's benchmark long bond was quoted ⅛ lower for a yield of 8.95 per cent.

There was little fresh economic news yesterday and virtually no important economic data are due until Friday when the preliminary estimate of first-quarter gross national product will be released and is expected to show growth of 2.2 per cent or above, compared with a gain of 1.1 per cent in the fourth quarter of 1989.

The market, however, remained on the defensive yesterday in the wake of last week's surge in yields to their highest levels for almost a year.

The mood of the market continued to be dominated by concerns about a possible tightening in monetary policy and the level of demand at the early May quarterly refunding.

Mr Manuel Johnson, Fed vice chairman, said yesterday that he saw signs that economic activity was beginning to pick up and that he was disappointed with last week's report of a 0.5 per cent rise in consumer prices in March.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	91-19	-01/32	13.52	13.38	13.57
		10.500	5/99	87-25	-07/32	12.82	12.59	12.63
		9.000	10/08	79-22	-05/32	11.70	11.52	11.52
US TREASURY *		8.500	02/00	96-29	-7/32	8.98	8.63	8.52
		8.500	02/20	95-06	-06/32	8.96	8.59	8.48
JAPAN	No 119	4.800	6/99	86.2017	-0.021	7.32	7.30	7.03
	No 2	5.700	3/07	89.1037	+0.137	7.12	7.20	6.90
GERMANY		7.750	02/00	93.2500	-0.400	8.79	8.63	8.48
FRANCE	BTAN	9.000	02/95	95.7334	-0.285	10.14	10.02	10.38
	OAT	8.500	03/00	92.3200	-0.440	9.73	9.59	9.73
CANADA *		9.750	05/00	85.9000	+0.450	11.74	11.43	10.80
NETHERLANDS		7.750	01/00	92.1400	-0.240	8.98	8.93	8.78
AUSTRALIA		12.000	7/99	91.1639	-0.727	13.70	13.35	13.44

London closing, *denotes New York closing session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Traders surprised by favourable terms of Spain issue

By Andrew Freeman

INTERNATIONAL BONDS

THE EUROBOND market enjoyed rare profitability yesterday, with two issues performing strongly amid widespread demand.

The Kingdom of Spain's Ecu500m issue took the market by surprise when Banco Bilbao Vizcaya and Banesto, the joint lead managers, launched the bonds with a 10¾ per cent coupon at 100.20, instead of the previously indicated 100.90.

A Banesto official said the price modification had been influenced by the weak close last Friday of the US Treasury market and yesterday morning's nervous openings on the bund futures and French government bond markets. The official added that, in the event, markets showed unexpected resilience.

The price cut made the terms, which had already been judged as attractive last week, irresistible to syndicate managers who found themselves able to sell bonds for ⅝ point clear profit. At one stage, the paper was trading a full point inside fees.

By the close of trading in Madrid, the lead managers were quoting the bonds at less 1.10 bid, compared with co-managers' fees of 1¾ per cent.

Most of the early interest came predictably from international investors, but the deal's strong performance attracted some inquiries from Spanish institutions.

Turnover was described as heavy, as many Spanish banks sold their paper into the professional market.

The day's other success was a $150m 10-year issue for Japan Finance Corporation for Municipal Enterprises (JFM), launched by Bank of Tokyo Capital Markets (BOTCM). The paper carried a 9¾ per cent coupon and was priced at 101¼ per cent to yield 68 basis points over the equivalent Treasury.

Dealers said the bonds traded comfortably inside fees from the moment they were issued. After opening at less 1¾ bid, the paper reached a high of less 1.60 bid, before settling around less 1.63 bid to yield 62 basis points over Treasuries.

The lead manager said the issue, the first to carry the guarantee of the Japanese Government in this fiscal year, had met wide interest. With the Treasury market in retreat last week, BOTCM considered postponing the deal, but decided to bring the deal yesterday morning and raise the coupon as a safeguard against further falls.

Like the Spanish issue, it benefited from an unexpectedly strong background. The issue proceeds were swapped into floating-rate yen to achieve a sub-London interbank offered funding rate. Swap traders said the likely rate achieved would have been around 15 basis points below dollar Libor before the yen leg of the swap.

Funding targets for Japanese government entities have long been much more aggressive and the reduced rate is a sign of the difficult conditions in the swap market.

In France, Banque Paribas brought a FFr500m three-year issue for Interfinance Credit National to a steady reception. The paper was trading around fees at less 1.35 bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Daiwa Overseas fin.♦	67	10	102	2000	2/1¾	Morgan stanley Int.
Japan Finance Corp.♦	150	9¾	101¼	2000	2/1⅞	Bank of Tokyo Cap.Mkts.
FRENCH FRANCS						
International Credit Nat.♦	500	10¼	101	1993	1⅛/⅞	Banque Paribas(Paris)
ECUs						
Kingdom of Spain♦(a)	500	10¾	100.20	1995	1⅞/1	BBV/Banesto
YEN						
Heller Finance♦†	10bn	(b)	100.5	1995	15bp	Goldman Sachs/Fuji Int.
Postipankki♦	35n	11.5	101.125	1991	1⅛/⅝	New Japan Secs.

♦Final terms. †Floating rate note. a)Domistic issue. b)6-month libor.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Apr 23 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Apr 20 Index No.	Thu Apr 19 Index No.	Wed Apr 18 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (200)	831.38	-0.9	14.15	5.43	8.58	10.96	839.12	837.73	844.98	923.16
2	Building Materials (27)	1004.17	-1.5	15.89	5.82	7.83	5.50	1019.78	1019.23	1030.82	1153.70
3	Contracting, Construction (37)	1339.64	-0.9	18.73	6.16	6.97	16.02	1351.94	1352.25	1360.71	1668.18
4	Electricals (10)	2361.89	-0.6	12.42	5.67	9.96	39.14	2376.39	2372.66	2402.84	2725.50
5	Electronics (29)	1743.79	-1.1	10.34	4.25	12.54	17.31	1762.33	1760.67	1769.93	2091.51
6	Engineering-Aerospace (8)	436.83	-0.4	14.44	5.32	8.29	7.69	438.37	435.62	440.25	0.00
7	Engineering-General (43)	457.69	-0.9	12.36	5.45	9.76	7.42	461.73	460.63	463.92	0.00
8	Metals and Metal Forming (6)	469.91	-0.6	25.04	6.63	4.50	0.53	472.53	475.36	481.16	533.41
9	Motors (16)	341.69	-0.9	16.24	6.59	7.19	8.43	344.62	344.15	345.45	305.44
10	Other Industrial Materials (24)	1537.69	-0.7	12.04	5.18	9.61	28.02	1549.05	1543.04	1557.99	1550.01
21	CONSUMER GROUP (177)	1178.11	-1.2	9.98	4.16	12.37	9.21	1192.49	1190.35	1201.18	1179.11
22	Brewers and Distillers (21)	1390.35	-1.1	10.43	3.96	11.83	12.53	1405.25	1399.55	1395.32	1286.41
25	Food Manufacturing (20)	1030.29	-1.4	10.79	4.56	11.51	14.80	1044.91	1044.58	1052.99	1016.64
26	Food Retailing (16)	2213.04	-1.0	9.59	3.55	13.46	7.94	2235.72	2220.38	2241.68	2131.35
27	Health and Household (13)	2449.61	-1.4	6.79	2.83	16.56	17.07	2485.06	2473.15	2511.21	2272.83
29	Leisure (31)	1298.88	-1.8	10.95	4.58	11.26	9.24	1322.24	1323.72	1338.96	1573.96
31	Packaging & Paper (13)	555.70	-0.4	13.11	5.85	9.60	10.38	558.16	557.93	565.65	563.48
32	Publishing & Printing (16)	3146.09	-0.6	10.68	5.70	11.82	37.24	3165.49	3155.01	3205.96	3466.81
34	Stores (35)	712.71	-1.0	12.30	5.15	10.49	1.89	719.77	724.56	731.20	762.68
35	Textiles (12)	464.26	-0.9	14.43	7.67	8.72	0.59	468.41	468.52	475.89	521.85
40	OTHER GROUPS (105)	1093.89	-1.0	11.41	5.23	10.48	8.58	1105.09	1105.29	1116.76	1050.41
41	Agencies (17)	1557.98	-2.3	5.83	2.53	21.10	12.33	1595.44	1606.27	1620.26	1254.27
42	Chemicals (23)	1164.80	-0.6	12.24	5.66	9.54	23.59	1171.35	1168.47	1180.52	1195.81
43	Conglomerates (14)	1535.83	-1.0	10.52	6.37	11.26	8.69	1551.13	1549.81	1574.79	1515.03
44	Transport (13)	2154.31	-0.1	11.30	4.64	11.24	25.71	2155.84	2153.77	2166.08	2360.26
46	Telephone Networks(2)	1057.48	-1.7	12.01	4.85	10.83	0.00	1075.95	1088.66	1107.04	1085.33
47	Water(10)	1873.70	-0.8	18.60	7.23	5.95	0.00	1888.39	1857.56	1852.17	0.00
48	Miscellaneous (26)	1760.38	-0.6	10.72	4.87	10.45	18.48	1770.53	1757.53	1764.33	1435.93
49	INDUSTRIAL GROUP (482)	1078.80	-1.1	11.47	4.82	10.60	9.88	1090.52	1089.28	1099.52	1096.27
51	Oil & Gas (18)	2211.49	-0.8	12.25	5.45	10.78	35.53	2229.07	2225.89	2246.36	2005.01
59	500 SHARE INDEX (500)	1173.16	-1.0	11.58	4.91	10.63	11.91	1185.42	1184.02	1195.11	1173.13
61	FINANCIAL GROUP (110)	760.28	-1.7	–	5.98	–	17.48	773.63	776.30	782.81	724.06
62	Banks (9)	793.76	-3.2	20.68	6.73	6.33	24.14	819.87	820.73	831.75	708.15
65	Insurance (Life) (7)	1268.28	.....	–	5.79	–	34.46	1268.65	1268.76	1267.70	1038.07
66	Insurance (Composite) (7)	635.44	-0.7	–	6.51	–	19.43	639.60	639.59	642.95	578.32
67	Insurance (Brokers) (7)	1055.67	-0.3	8.13	6.17	16.23	26.30	1058.63	1049.00	1045.89	932.45
68	Merchant Banks (7)	437.29	-1.7	–	4.36	–	4.85	444.76	444.76	448.01	332.14
69	Property (48)	1095.43	-1.4	8.46	4.06	14.97	5.62	1110.47	1129.43	1139.72	1291.42
70	Other Financial (25)	306.25	-0.6	14.34	7.27	9.22	4.09	308.10	308.27	310.38	367.43
71	Investment Trusts (67)	1153.48	-0.6	–	3.28	–	8.95	1161.02	1140.79	1144.79	1096.60
91	Overseas Traders (5)	1304.54	-0.8	10.13	7.00	11.91	42.87	1315.07	1312.31	1324.97	1372.02
99	ALL-SHARE INDEX (682)	1074.10	-1.1	–	5.03	–	13.04	1086.31	1085.20	1095.00	1063.66

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 20	Apr 19	Apr 18	Apr 17	Apr 12	Year ago
FT-SE 100 SHARE INDEX‡	2159.2	-27.9	2185.1	2159.1	2187.1	2184.7	2205.9	2214.5	2222.1	2062.0

FIXED INTEREST

	PRICE INDICES	Mon Apr 23	Day's change %	Fri Apr 20	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	112.53	-0.04	112.57	–	4.19
2	5-15 years	114.62	-0.22	114.88	–	4.96
3	Over 15 years	117.93	-0.29	118.27	–	4.16
4	Irredeemables	136.18	-0.61	137.02	–	1.51
5	All stocks	115.97	-0.17	116.17	–	4.61
	Index-Linked					
6	Up to 5 years	141.30	.....	141.29	–	1.49
7	Over 5 years	132.05	-0.16	132.26	–	1.38
8	All stocks	132.63	-0.15	132.83	–	1.38
9	Debentures & Loans	95.57	-0.06	95.63	–	3.12
10	Preference	75.21	+0.24	75.03	–	2.07

	AVERAGE GROSS REDEMPTION YIELDS		Mon Apr 23	Fri Apr 20	Year ago (approx.)
	British Government				
1	Low	5 years	11.98	11.96	9.87
2	Coupons	15 years	11.65	11.58	9.31
3		25 years	11.55	11.47	9.11
4	Medium	5 years	13.21	13.16	10.87
5	Coupons	15 years	12.13	12.08	9.76
6		25 years	11.69	11.64	9.30
7	High	5 years	13.33	13.27	10.98
8	Coupons	15 years	12.42	12.39	9.98
9		25 years	11.95	11.92	9.48
10	Irredeemables†		11.56	11.48	9.08
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.82	4.81	3.87
12	Inflation rate 5%	Over 5 yrs.	4.23	4.21	3.66
13	Inflation rate 10%	Up to 5 yrs.	3.78	3.77	2.90
14	Inflation rate 10%	Over 5 yrs.	4.04	4.03	3.48
15	Debs & Loans	5 years	16.23	16.15	11.98
16		15 years	14.02	13.95	11.32
17		25 years	13.39	13.39	11.32
18	Preference†		12.30	12.33	10.24

‡Opening index 2184.6; 9 am 2180.5; 10 am 2174.3; 11 am 2176.4; Noon 2167.3; 1 pm 2167.0; 2 pm 2165.3; 3 pm 2164.3; 4 pm 2160.9; 4.10 pm 2160.1; (a) 8.33am (b) 4.22pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	77	21
Corporations, Dominion and Foreign Bonds	0	10	14
Industrials	171	589	827
Financial and Properties	82	278	369
Oils	10	40	40
Plantations	2	1	7
Mines	33	60	65
Others	46	110	95
Totals	344	1,165	1,438

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
$125	F.P.	–	128	115	ABI Leisure 10p	115	-3	R4.7	3.3	5.4	7.5
–	F.P.	–	206	199	Argos 10p	199	-1	15.5	3.0	3.7	9.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
104	Nil	–	15pm	[illegible]	Nestor-BNA 10p	[illegible]	+1
B165	Nil	–	25pm	16pm	‡Oliver Resources Units	20pm	
200	Nil	–	23pm	21pm	Pickwick	23pm	
633	Nil	27/4	93pm	58pm	Templeton Emrg. Mkts. Uts.	58pm	-6

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ÷ Unlisted Securities market. * Third Market. B Units comprising 11 new ord. & 2 warrants

TRADITIONAL OPTIONS

● First Dealings April 17
● Last Dealings May 4
● Last Declarations July 19
● For settlement July 30

For rate indications see end of London Share Service

Calls in BHH, Control Securities, Coloroll, Tuskar Res., Iceland Frozen Foods and Monks & Crane. Put and call in Stormgard.

LONDON TRADED OPTIONS

THE DECLINE in the UK equity market prompted brisk business in traded options, as investors purchased large quantities of FT-SE 100 index calls, hedging against the possibility of a stock-market recovery.

A total of 28,494 FT-SE lots changed hands yesterday, the bulk of which were calls, contrasting with 8,717 traded on Friday. The May 2,200 call series was the busiest, with 5,868 contracts having changed hands.

Trading in FT-SE options was given a late boost when Hoare Govett purchased 5,000 May 2,200 calls at 39p and 40p. The trade was not hedged in the futures market. A further buyer in the market of 7,000 lots of the same FT-SE series, said to be Warburg, also lifted turnover.

Options dealers said that, as the large FT-SE trades had not been hedged in the futures market, their impact on prices had been minimal. Nevertheless, the entrance of large buyers of FT-SE calls may send a positive signal from the derivative markets.

In the futures market, sentiment remained negative as equities continued to slide. Friday's closing premium of the June FT-SE contract over the cash index of 22 points was quickly whittled away. By the time it reached 12 points, arbitrageurs bought the futures market and sold equities, which pushed the cash index lower.

A programme trade, executed mid-morning by a US investment house, pushed the premium back out to 20 points. But a decline on Wall Street undercut those gains. By the close, the premium had widened to 22 points, helped by futures buying linked to purchases of call options.

Among the stock options, Asda was the busiest as a 500-lot put spread was executed. Asda equities continued to weaken after Barclays de Zoete Wedd downgraded its 1991 forecast. Asda traded a total of 1,922 contracts. The July 90 puts were the most active, trading 900 lots.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allid Lyons (*430)	420	13	29	47	2	17	23
	460	1	12½	28	32	42	47
	500	½	5	13	72	82	83
ASDA (*89)	90	–	10	12	–	7½	9½
	100	1	5	8	13	14	16
	110	1	3	4½	23	23	23
Brit. Airways (*204)	180	24	26	32	1	3	5
	200	5	11	19	1	10½	12
	220	½	4½	10	17	24	25
Brit Com (*1)	50	–	–	–	50	50	50
	60	–	–	–	60	60	60
SmKl Beecham A (*473)	460	15	37	52	1	13	18
	500	1	17	31	30	34	38
	550	½	6	15	80	80	80
Utd. Biscuits (*314)	300	16	28	41	1	6	10
	330	2	14	24	17	20	24
Unilever (*625)	600	28	53½	76	2	8	12
	650	2	22½	43	29	31¼	33¼
Ultramar (*336)	330	8	30	40	2	13	16
	360	1	15	25	27	27	30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*522)	500	35	60	72	9	18	25
	550	9	32	45	35	43	48
BAA (*379)	360	27	37	50	4	11	15
	390	7	19	34	17	23	28
BAT Inds (*726)	709	37	68	92	9	18	25
	759	8	38	62	39	43	47
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Amstrad (*72)	70	7	11½	14	4	6	8
	80	3	7	9½	10	11½	13
Barclays (*519)	500	38	52	–	7	15	–
	550	14	24	39	35	42	42
Blue Circle (*214)	200	16	25	30	5½	8	10
	220	5½	14	19	18	19	21
British Gas (*203)	200	11	14	20	5	8½	10
	220	3	6	11	18	21	24
Dixons (*116)	110	14	17	21	5	8½	11
	120	9	11	15	11	15	18
Glaxo (*770)	750	52	82	95	14	24	33
	775	37	–	–	26	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Suggestion of improper share deals without foundation say advisers

Coal Pensions deny insider claim

By John Thornhill

BRITISH Coal Pension Funds have strongly denied allegations that they might have been acting on inside information in launching their £1.03bn bid for Globe Investment Trust last Friday.

Mr Malcolm Le May, a director of Barclays de Zoete Wedd, the funds' financial adviser, said yesterday: "The suggestion that the acquisition of Globe shares by the funds was in any way improper is without foundation. The funds took great care to ensure that both the letter and the spirit of the insider dealing rules were fully complied with."

The focus of the dispute centres on a meeting held last Thursday between Mr David Hardy, Globe's chairman, and Mr Paul Whitney, the chief executive of CIN Management, which manages the British Coal Pension Funds.

Mr Hardy said that he asked for the meeting to update a "major institutional shareholder" shortly after finalising the company's preliminary figures for the year to March 1990. The funds represented Globe's largest shareholder with a stake of 28.8 per cent.

Whether any price sensitive information was disclosed at that meeting between the two men is a matter of dispute. But British Coal Pension Funds are adamant that no such information was exchanged.

The funds claim that Barclays de Zoete Wedd, their financial advisers, were talking to Standard Life, the life assurance company, about the possible purchase of its 5 per cent holding in Globe over the course of several weeks and that the meeting with Mr Hardy had no impact on their decision to conclude a deal.

The acquisition of Standard Life's shareholding, which was agreed in the early hours of Friday morning, lifted the funds' shareholding in Globe to above 30 per cent triggering a full takeover bid.

A spokesman for Globe said yesterday: "The Stock Exchange is looking into the matter (the meeting between Mr Hardy and Mr Whitney) and it would therefore be inappropriate to comment."

On the funds' side, Mr Le May, of BZW, said: "We are today contacting the Takeover Panel, the Stock Exchange and the Department of Trade and Industry with an invitation to explain the sequence of events if they so require."

The Association of Investment Trust Companies is to ask the Office of Fair Trading to refer the bid for Globe Investment Trust to the Monopolies and Mergers Commission as part of a wide ranging campaign it is launching against bids from the pension fund sector, writes Terry Dodsworth.

According to the AITC, the pension funds are in a particularly privileged position in making hostile takeover offers because of their tax-exempt status, their protection from takeover themselves, and their lack of public accountability.

"Pension fund socialism takes ownership away from the real people, and defies every democratic principle," said Philip Chappell, an adviser to the AITC.

The AITC made a similar attempt to turn the acquisition of the TRIG investment trust by the coal board pension funds 18 months ago into a public issue. But the OFT decided at that time that there was not a case to answer.

BTR shrugs off Norton political moves

By Martin Dickson in New York

BTR, the British congomerate making a hostile $1.64bn bid for Norton, the US abrasives manufacturer, said yesterday that any federal Government review of its offer on grounds of national security would not be a "deal-stopper".

The entire Congressional delegation from Norton's home state of Massachusetts is urging President Bush to order a Cabinet-level review of the bid on national security grounds, arguing that Norton produces strategic materials under contract to the Defense Department. A letter circulated by the delegation has been signed by more than 100 other Congressmen.

However, BTR said yesterday that if it won the bid,and if any federal review found that security issues were involved, the company would divest the Norton unit concerned. It pointed out that certain BTR units in the US already had Defense Deparment security clearances, including Rochester Corp, making submarine antennae and tow cables for sonar devices, and Stewart-Warner, making landing control devices for carrier-borne aircraft.

Shares in Norton rose on the New York Stock Exchange to $76⅝, up $1⅛, around lunchtime yesterday as the market responded to Friday night's announcement from the company that a third party was interested in launching a bid at a price higher than BTR's $75m a share offer.

The potential white knight was not named. The announcement came just days before Norton's annual general meeting, due on Thursday, where BTR will seek to have three directors elected to the 11-person board.

The British company had appeared to be in a strong position, as more than 60 per cent of the shares had been tendered to its offer. However, the possible emergence of a white knight might make shareholders think again.

Receivers appointed at Bestwood

By Clare Pearson

MR HUGH FEYERS, a director of Bestwood, said last night that the housebuilding and civil engineering group had gone into receivership.

He said an announcement would be made shortly that receivers from Price Waterhouse had been appointed.

This came after Bestwood asked for dealings in its shares to be suspended at 4½p, pending the outcome of meetings with its bankers.

The company's worsening financial position has come against a background of the downturn in the UK housing market and it forms the latest chapter in what has been one of the Stock Market's most turbulent corporate stories.

Bestwood's results for the six months to end-June 1989, the most recent published, showed pre-tax profits almost halving from £1.28m to £687,000. At that date the group had net assets of £4.5m, but core borrowings of £10m.

The announcement of this financial deterioration came after a summer during which Mr Tony Cole, former chairman, had mounted an attempt to depose his then-successor, Mr Anthony Holmes. In the words of Mr Jim Furlong, current chairman, Bestwood had already been "close to collapse" during the period of Mr Cole's control.

Since the end of the half-year, the subsidiary British Drilling and Freezing has been sold to its management for an initial £4m in cash.

In June, the Department of Trade and Industry appointed inspectors to look at the company's affairs.

Mr Cole still holds a near-9 per cent stake in the company. Mr Furlong, who took over as chairman after Mr Cole's successor, Mr Anthony Holmes, resigned last autumn, holds around 7 per cent and there is a further declarable Furlong family holding.

The report and accounts for the year to end-December 1988, published last July, showed that it had incurred an extraordinary charge of £6.43m pre-tax, £2.29m more than previously reported.

Other housebuilders to have gone into receivership include Declan Kelly, one of the UK's largest privately-owned housebuilders which failed this year and Kentish Properties, the quoted east London developer which collapsed last summer.

Fall in trading offsets increase in rents at static Hammerson

By Paul Cheeseright, Property Correspondent

FLAT RESULTS from Hammerson, the most diversified of the major British property investment and development groups, underlined the weakness of the UK commercial property market.

But the weakness of the market works two ways. It causes smaller companies financial problems but it provides strongly financed groups with the chance of expansion by acquisition. "We ought to be able to find some good buys," Mr. John Parry, Hammerson's managing director, said yesterday.

Hammerson, though, is less interested in companies than in individual properties or portfolios of properties. "We want to buy future opportunities, not yesterday's failed trader," Mr Parry said, referring to property companies which develop buildings and then seek to sell them on.

To this end, Hammerson is one of a number of companies scrutinising the portfolio of Shearwater, the retail development subsidiary of Rosehaugh, a company seeking the means to increase its cashflow.

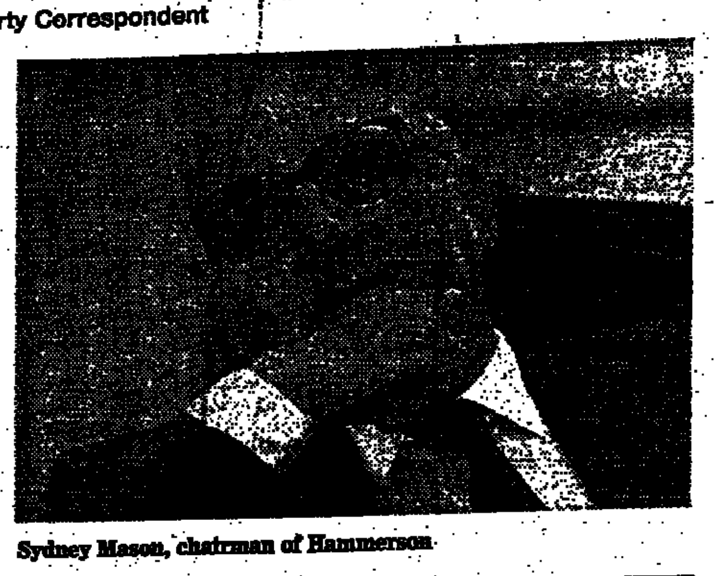
While Rosehaugh is making sales and braved unfriendly stock market conditions with a £125m rights issue to raise cash and reduce indebtedness, Hammerson's debt/equity ratio remained stable at 38 per cent during the last financial year, although it is likely to creep upwards to more than 40 per cent during 1990. All Hammerson's sterling borrowings are fixed, with the average interest rate less than 10 per cent.

This contrast between the two companies – the one with cash, the other short of it – points up a characteristic of the large property investment groups during a property industry recession. It is that their asset values may grow slowly or even decline, but that their income stream will remain strong.

This is evident from the Hammerson figures. Its net asset value, including development surpluses, rose a modest 6 per cent in 1989 to £11.18 per share, but its operating profit, based on rental income from the properties it owns, rose 14 per cent to £60.7m.

The stock market is more interested in the net asset value than the income, so it was hardly surprising that even in a weak sector it gave the thumbs-down to the figures by slicing 23p from the Hammerson 'A' shares to 720p.

During 1988 Hammerson's asset value rose more than 50 per cent, but over the last year high interest rates, a slowing of the economy and, in some areas, an emerging surplus of property have taken their toll of the property market. Slight declines in value are now evident across both the office and retail sectors, where Hammerson is strongest.



Sydney Mason, chairman of Hammerson

This suggests that Hammerson's asset growth in the UK this year will be slim. But its position could be strengthened by rises in property values in France, West Germany and Spain. There will not be much help from the US or Australia, but there could be some growth in Canada. Here, of course is the argument in favour of international diversification.

About half of the Hammerson portfolio is outside the UK. Its recent purchases have been in continental Europe, notably West Germany and Spain. Of the £374m it is spending on development, £300m is being spent outside the UK.

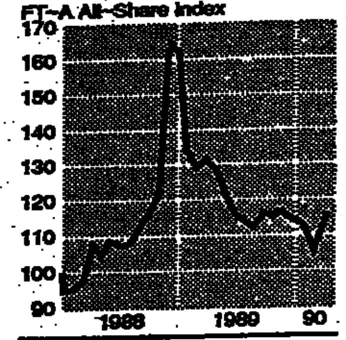
The range of international assets should ensure at least a small increase in the asset value this year, but the overall figure seems unlikely to rise much above £12.

The estimate has to be vague. Currency fluctuations could affect it either way: they accounted for 40p of the 1989 asset value figure. Short of a catastrophic decline in values, 1991 would be better as large office developments on Fifth Avenue, New York, in the City of London and Brisbane – the strongest of the Australian city markets – are completed.

But there can be more confidence about the stream of gross rental income. This rose in 1989 to £156.2m (£143.8m), and there will be a similar rise this year.

Hammerson Property

Share price relative to the FT–A All–Share Index



Fifteen months ago, when Hammerson was fighting off a takeover bid from Rodamco, the Dutch investment fund, it promised doubled rental income in five years. Mr Parry reiterated that promise yesterday.

The point here is that, without taking into account any new properties, the flow of five-yearly rent reviews ensures a rising income. Especially between 1985 and 1988, office and retail rents throughout the UK rose sharply. This escalation will be reflected in the rent reviews now running through the system.

Although capital values of British property have started to slip, there are still cases of rents continuing to rise. Property investment groups like Hammerson, Land Securities and MEPC can close their eyes to the asset value provided the rents keep flowing.

For the record, Hammerson in 1989 had pre-tax profits of £75.3m, just £200,000 more than in 1988 and its final dividend is 16p, bringing the total to 19.5p, a rise of 15 per cent.

BOARD MEETINGS

TODAY

Interims- Ensign Trust, Multitrust, Rosehaugh, St. Ives, Shani.
Finals- CI, Edinburgh Investment Trust, FR, First Charlotte Assets Trust, Tarmac, Total-Compagnie Francaise des Petroles, Whatman.

FUTURE DATES

Interims-

Kunick	May 14
M M.T. Computing	May 8
Millwall Hldgs.	Apr. 27

Finals-

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied Lon Prop	int	1.075	July 2	1.075	-	3.3
CCS Group §	fin	0.35	Aug 1	nil	0.55	nil
Farnell Elect	fin	2.7	-	2.4	4.8	4.2
Hammerson Prop	fin	16	June 19	14	19.5	17
Hartons	fin	0.1	-	1.09	0.2	1.7
Hunting	fin	5.5	July 3	4.5	9†	6.7
Huntleigh Tech §	fin	1.25	July 2	1	2	1
Jones Group	fin	8♣	-	7	11	10
Kingston Oil	fin	0.6875	July 2	0.6057	1.6619	1
Lyles (S)	int	1.5	June 4	1.5	-	3.75
MY Holdings	int	0.55	JUne 8	0.55	-	0.55◆
Power Corpn	fin	3.6♣	June 15	3.4	5.4†	5.1
Ratners	fin	7.5	July 5	6.85	9.5	7.5
Travis Perkins	fin	5.5	-	5	8	6☆

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆For nine months. ♣Irish currency throughout. ◆For 8 months.

European expansion for Alan Paul with £8.5m buy

By Jane Fuller

ALAN PAUL, the USM-quoted hairdressing and beauty products group, has more than doubled its number of salons and launched itself into continental Europe with the acquisition of Essanelle Holdings for £8.45m.

The private company has 253 hair and beauty salons, including 130 in West Germany, 90 in the UK – where Alan Paul has 102 hairdressers – and 30 in Belgium.

Essanelle's pre-tax profit for the 12 months to October 31 was £1.8m, compared with Alan Paul's estimated profit of £1.2m (£740,000) for the year to March 31. The Alan Paul business includes The Body & Face Place, which has 69 outlets.

To pay for Essanelle, Alan Paul is issuing more than 6m shares to the vendors, who will retain nearly 40 per cent of them. The remaining 3.8m will be placed at 130p, which compares with yesterday's closing price of 135p, 10p down on the day.

A further 3.7m shares will be issued at the placing price to raise £4.8m cash for debt reduction – borrowings stand at about £1.5m – and further acquisitions. An open offer is being made to existing shareholders on a five-for-six basis.

Mr Harley Muse, Alan Paul director of salons, said the acquisition would take the group into the north-east of England and into Scotland, as well as overseas.

As Alan Paul franchised about 85 per cent of its existing salons, it would aim to extend this arrangement to the Essanelle outlets, of which only two were franchised.

Prior sells 75% holding in Knobs & Knockers

By Vanessa Houlder

PRIOR, a London-based property group, has sold a 75 per cent stake in Jennings, Monk which trades as Knobs & Knockers, just nine months after it reversed into the USM-quoted specialist brassware retailer.

It has sold the stake to Mr Geoffrey Davy, who was a director of Storehouse, the retailing combine, until last November and a former chief executive of Habitat UK and BhS. "We came to the conclusion that retailers need professional hands-on management," said Mr James Prior, chairman of Prior. "We did not see any upturn with us working with it."

Knobs & Knockers is trading at a loss after being squeezed by the downturn in consumer spending. During the six months to September 1989, Prior's retail division, which also included Beaver Architectural Ironmongery, a wholesale business, incurred a loss of £218,000.

Prior is being paid £75 and is keeping the surplus assets and accumulated reserves of Knobs & Knockers, worth £1.1m. It has given a financial commitment to support Jennings, Monk for a transitional period.

Mr Prior said that the disposal would allow him to concentrate on his core business of property investment and trading.

Knobs & Knockers, which was set up 25 years ago, sells brassware and door fittings through 88 outlets.

Polymark advances 45%

Improvements in the laundry and French divisions offset an increased loss from the technographics side to give Polymark International a 45 per cent advance in 1989 pre-tax profits from £1.39m to £2.01m.

Mr Len Weaver, the chairman, said the group had made a good start to 1990 and the trading performance of the continuing operations so far this year was up to expectations. He said however, that these businesses had produced disappointing profits in the second half of 1989 mainly due to operating difficulties.

Cost reduction programmes and organisational changes had been implemented which he considered would have a positive impact on profit performance.

Turnover in 1989 grew 36 per cent to £46.12m (£33.87m). The bulk of profits came from the French division with £1.6m (£1.07m), while laundry contributed £653,000 (£335,000). Technographics loss increased from £23,000 to £296,000.

Net interest charges took £785,000 (£445,000) and tax £843,000 (£708,000). Earnings per share were 12p (2.41p) basic and 4.49p (3p) fully diluted. No ordinary dividends have been paid since 1981.

UK COMPANY NEWS

Travis Perkins off 16% in poor housing market

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Travis Perkins, the timber, building and plumbing materials supplier, fell by 16 per cent in 1989, from £39.2m to £32.8m, as the bottom fell out of the UK housing market.

Mr Tony Travis, chairman, said it was the worst housing market he could remember. About 35 per cent of group sales went to housebuilders.

The residential repair, maintenance and improvement market, which accounted for another 40 per cent of sales, had also been hit by the sharp rise in interest rates, but not as badly as new housebuilding.

Mr Travis said: "While it is disappointing to report a fall in profits in 1989 we draw some satisfaction from our achievement in containing the damage inflicted by the worsening market.

"I do not expect results this year to match those of last year but neither do I expect them to be substantially lower."

The group, which operates mainly in southern England and the Midlands, included profits of £3.74m (£2.39m) from property sales, and also benefitted from investment income of £1.68m (£1.76m). It has no borrowings.

Pre-tax profits for 1988 of £39.2m were restated to take account of the merger between Travis & Arnold and Sandell Perkins in October 1988. Sales fell from £381.2m to £360.89m.

Earnings per share dropped 4p to 22p. A final dividend of 5.5p makes total of 8p for the year; comparable, it was stated, to 7.5p if the two companies had been together for the whole of 1988.

● COMMENT

Tony Travis makes no secret of his view that 1990 is likely to see the worst of a housing recession which has already chalked up several casualties among housebuilders. Forecasts yesterday from the National Council of Building Material Producers assume that private housebuilders will start work on no more than 130,000 new homes this year, compared with 168,000 last year and more than 200,000 in 1988. The value of housing output in constant 1985 prices is expected to tumble by 19 per cent following an 18.6 per cent fall last year. Overall construction output is forecast by the council to fall by 6 per cent this year and the council does not expect recovery to occur until 1992 – although it says housing output should recover next year by when interest rates are expected to be lower. All of which points to a rough passage for companies involved in selling materials to the housing sector this year. Property sales, however, could contribute about £4m to Travis Perkins profits which should limit some of the downside. The lack of borrowing is also a great advantage in the current interest rate climate. Pre-tax profits of about £30m should provide earnings of about 20p leaving Travis on a prospective p/e of 8½. It deserves its rating at the top end for the sector but do not expect the shares to do much in the short term, given such a poor trading outlook for builders and builders merchants.

Ashley Ashwood

Mr Gerald Ratner, the chairman and managing director of Ratners, the leading UK jewellery retail group, revealed yesterday that its UK shops sold 27 tonnes of nine carat gold last year, sufficient to build three double-decker London buses. Customers bought 8m watches, 5m pairs of earrings and 80,000 carats of diamonds, writes Maggie Urry.

Mr Ratner, who appears resigned to the lowly rating his shares receive in the stockmarket, said that the latest fashion trend is for men to wear earrings. "You may laugh," he told male journalists at a press conference, "but you'll be wearing them in six months time." His own ears were unadorned.

Presenting the group's board to the press conference Mr Ratner said his group had often been accused of being a one man band, and, he said, "the one man has been described as a nit. Today we have the whole orchestra here," he added.

Mr Victor Ratner, Mr Ratner's cousin, who is deputy managing director and in charge of buying for the group, said that Ratners was selling a particular bracelet for £38.95 at Christmas 1988 and had cut the price to £29.95 by Christmas 1989, with a slight reduction in the weight. By Christmas 1990 it will be cheaper again, he said. Jewellery had now become the third most popular gift item having overtaken books and records.

Defence contracts behind Hunting's 42% rise to £48.4m

By Jane Fuller

A STRONG performance in defence markets helped Hunting increase pre-tax profit by 42 per cent to £48.4m in 1989.

Nearly £26m (£18.3m) of that figure came from defence, which contributed £239m (£247.9m) to group sales of £748.6m (£646.1m).

Mr Ken Miller, the group's chief executive, said the margin on the JP233 airfield attack weapon had improved as the contracts matured. But this year's contribution would be lower and next year it would drop right away.

There would be no big "profit hole" after the JP233, he said. With the help of growth in non-defence areas, earnings were expected to remain flat this year and to fall slightly in 1991.

Other defence developments included being appointed the prime contractor for part of West Germany's Multi-Launch Rocket System project, and export potential for the LAW80 shoulder-launched anti-tank weapon.

Following the merger last summer of three family-controlled companies, the group had now been organised into three divisions, the other two being aviation, and oil and technology.

In aviation, sales shot up to £138.2m (£94m), but pre-tax profit slipped to £5.4m (£5.8m).

Progress in the UK on fitting out aircraft had been held up by a poor performance from a Canadian subsidiary, since sold to management.

On the oil and technology side, a big increase in crude oil sales in Canada helped the Gibson subsidiary, which was also making progress in gas products.

The division's turnover advanced to £327.2m (£250.6m). But pre-tax profit was flat at £9.5m

Mr Miller said the contribution from specialist products had fallen because of disruption following the sale of a lubricants business coupled with difficulties in DIY markets.

As part of its restructuring, the group intended to sell a number of subsidiaries which had made only a small contribution to 1989 profits.

Mr Miller said these disposals would have reduced gearing from 54 per cent to single figures, were it not for planned expansion.

Net interest charges last year were £4m.

Other activities, such as ship broking and pension savings, added a further £5.3m profit.

Fully diluted earnings per share rose from 25.6p to 31.8p. A recommended final dividend of 5.5p makes a total for the year of 9p, up from 6.7p last time.

● COMMENT

Although the pre-tax profit came in ahead of the forecast, this was more to do with miscellaneous benefits than growth in non-defence businesses. Similarly this year, the declining profit from JP233 is expected to be offset as much by disposals as by any imminent surge in aviation or oil and technology. Next year should prove more fruitful both in terms of the newer defence systems and the activities boasting greater potential. Examples are US expansion in fitting out commuter aircraft and the results of a marketing push for branded products, such as Hammerite car care. But this is not expected to be enough to prevent an earnings fall in 1991. This year, a pre-tax profit of £48m gives a predictably undemanding prospective p/e of about six.

Runciman still seeks to thwart Swedish bid

By Clare Pearson

WALTER RUNCIMAN, the security equipment, shipping and insurance group fighting a rearguard action against hostile bidder Avena, the Swedish company, yesterday said talks that had been started with one potential "white knight" were off – but it had opened discussions with another.

The company said the new talks might or might not lead to an offer being made. In the meantime, it strongly urged shareholders to hold on to their shares.

Talks are being conducted under the shadow of a hefty 42 per cent stake in Runciman held by Avena, which also claims acceptances in respect of a further 5 per cent.

Avena moved into this position last week after it twice increased its cash offer. The second jump, from 625p to a final 690p per share, tempted Scottish Amicable Investment Managers to sell a long-held 8.4 per cent stake.

With dealings virtually at a standstill, the shares yesterday closed 5p down at 700p. This is 1p above Avena's offer, taking into account a 9p dividend entitlement.

Runciman said discussions, commenced last Thurday with the first third party, had foundered as they had not resulted in an offer for the whole company. Talks with the new party had taken place over the weekend and it had indicated its interest in further talks.

Market speculation about the identity of the first third party last week focussed on Scandinavian shipping companies which might be interested in Runciman's gas carriers business. Avena was originally attracted by the Tann security equipment side.

COMPANY NOTICES

UK COMPANY NEWS

Profits growth held back by losses and closure costs at start-up venture

Farnell Electronics rises 13% to £30.64m

By Vanessa Houlder

FARNELL ELECTRONICS, manufacturer and distributor of electric and electronic equipment, yesterday announced a 13 per cent increase pre-tax profits from £27.11m to £30.64m for the year to January 28. Turnover increased from £138.37m to £169.67m.

Mr Henry Elstone, group finance director, said he was fairly confident about the current year. "We are miles from recession in our view."

The results reflected growth by the electronics component distribution operation and the electronic equipment manufacturing operation, which reported operating profits of £21.33m (£18.48m) and £8.87m (£6.88m) respectively.

Advance Power Supplies, Wallis Hivolt and Wayne Kerr, the three manufacturing companies bought in 1988, showed a strong profits improvement following restructuring.

However, the results were held back by a £1.13m loss from FFB, a start-up venture in information retrieval. This business was closed in October, giving an extraordinary charge of £2.94m.

The closure of FFB marked a reversal of its strategy of investing in start-up ventures. It sold DH Group, a joint venture in aircraft communications at the start of last year.

However, Terrafix, a start-up in automatic vehicle location, is expected to make its first sales in the next few months.

At the year end there was cash of £13m. Mr Elstone said the company was looking at purchases in Europe and the US.

Earnings per share increased from 13.5p to 14.5p. A proposed final dividend of 2.7p makes 4.8p (4.2p).

● **COMMENT**

As Farnell heads for its 25th year of consecutive earnings growth, its core distribution business seems to be as robust as ever. By focusing on small, rapidly delivered orders with a differentiated pricing structure, it is well placed to ride out a slow-down in the economy. And although its glittering margins attract competitors, its broad spread of small customers means there are relatively high barriers to entry. Nonetheless, over the medium term, there is likely to be some erosion of its position. And sceptics, looking at the hapless record of the start-up ventures, sometimes doubt whether it can invest the cash it generates without dilution. Recently the enthusiasts have been driving up the share price, which closed yesterday up 4p to 162p. At that price, the shares are on a reasonably valued p/e of 9.5, assuming pre-tax profits of £35.5m this year.

NEWS DIGEST

Huntleigh advances to £936,000

HUNTLEIGH TECHNOLOGY, the maker of instrumentation and control systems for industrial and medical applications, lifted pre-tax profits 47 per cent from £638,000 to £936,000 in 1989. Turnover rose 13 per cent from £13.21m to £14.87m.

This USM-quoted company, which makes 80 per cent of its sales abroad, said that the finance charge had been reduced to £184,000 (£227,000) by minimising interest rates through borrowing overseas in currencies and amounts which equated to the overseas sales.

There was an extraordinary credit of £123,000 from last April's sale of Proximity Switch and further consideration from subsidiaries sold in 1983. Earnings were up 36 per cent to 7.1p (5.23p) and the final dividend is 1.25p to make 2p (1p) for the year.

The company said that export demand was expected to increase further as both western and eastern governments reduced their military expenditure. It said that previous experience had shown that healthcare provisions increased at such times.

Net assets decline at Berry Starquest

Berry Starquest, one of the quoted investment trusts managed by GT Management, saw its net asset value decline from 215.7p to 208.5p over the year to the end of January 1990.

Mr Dennis Nicholson, chairman, said that following new incentives for private investors in Personal Equity Plans in the March 1989 Budget, Berry altered its investment policy towards smaller companies. Unfortunately they performed poorly in the second half of the year which resulted in the 3.3 per cent decline in asset value.

Total income was down from £558,000 to £486,000. After interest of £41,000 (nil) and management expenses of £273,000 (£199,000) pre-tax profits were halved at £172,000 (£359,000) for earnings of 2.3p (4.6p) after tax of £54,000 (£118,000).

The board is proposing a single final dividend of 1.5p against last year's total of 4p, which included a final payment of 2p. Mr Nicholson said the previous year's total payment was not comparable because investment income had been boosted by substantial holdings in UK Government securities and cash deposits earning high rates of interest relative to equity dividends.

Early's losses mount as it bids farewell

Early's of Witney, blanket manufacturer, makes a sad farewell as an independent company – it is currently the subject of a recommended £13.1m takeover bid from Grovewood Securities – with a loss of £1.04m, compared with a previous loss of £11,345, for the year to January 27 last.

The board said the loss during the second half of the year was in part due to exceptional costs resulting from continued reorganisation of textile activities. Turnover was actually £678,000 up at £9.7m.

After crediting extraordinary items of £2.69m, which consisted principally of the profit of the sale of Mount Mills at Witney, there was a profit for the period of £2.04m (£33,794 loss).

Before the extraordinary items there was a loss of 11.2p per share (0.7p loss). Because of the offer, the board does not recommend payment of a final dividend.

British Empire Trust net asset value slips

At March 31 the net asset value of British Empire Securities and General Trust had slipped to 60.86p, from the 61.89p of six months earlier. However, the latest value did show a 5.56p improvement over March 31 1989.

In the half year ended March 31 earnings fell from 0.6p to 0.46p, but the interim dividend is held at 0.25p.

Total revenue dropped from £2.18m to £1.9m, reflecting a fall in interest from securities to £586,000 (£1.25m). Dividend income rose to £720,000 (£555,000) and deposit interest and other revenue to £627,000 (£381,000).

Bridon negotiating Dutch acquisition

Bridon, the wire and wire rope manufacturer, is in negotiation to acquire Verto, the Dutch wire rope and synthetic fibre producer with operations in the Netherlands, Belgium, and the US.

Agreement is expected between the companies whereby Bridon will make an offer for Verto under the following terms: Fl 86 cash for each Fl 20 common share (including the 1989 ordinary dividend of Fl 2.75), and Fl 1,100 cash for each Fl 1,000 convertible bond.

The offer for the common stock (net of the dividend) values Verto's net assets at Fl 62.5m (£20.2m), while the terms for the bonds puts them at Fl 21.8m (£7m).

In 1989 Verto made a pre-tax profit of Fl 4.1m (£1.3m) on turnover of Fl 256.3m (£82.7m). It will continue to operate under the existing names of its separate businesses within the Bridon group.

Allied London tumbles to £3.87m

Allied London Properties pre-tax profits for the six months ended December 31 have tumbled from £5.52m to £3.87m.

Rental income was up from £5.1m to £6.1m, but trading profit was a little lower at £3.61m (£3.98m) and other income unchanged at £1.7m. Administrative expenses rose from £2.73m to £3.14m and interest payable from £2.53m to £4.4m.

The board said the housing division based in the Midlands and South East has had a difficult period, due to reduced demand caused by high interest rates, but with a well-located land bank they said that division was well positioned to take advantage of any upturn in the market.

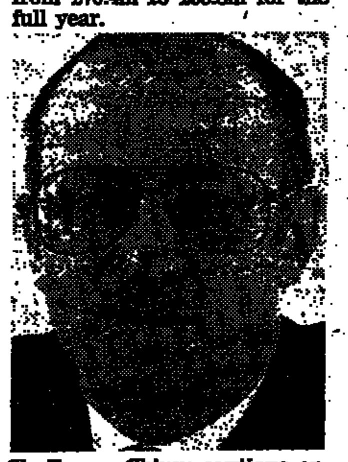
Since the half year end, Elstree Tower, the group's largest office development at Borehamwood, Hertfordshire, has been let to Unitel at a passing rent of £2m which will increase rental income by 16 per cent on an annualised basis.

An interim dividend of 1.075p (same) has been declared from earnings per share of 2.5p (4.3p) undiluted and 2.77p (3.62p) fully diluted. Tax charged was £975,000 (£1.92m).

Lex Service forecasts recovery

Sir Trevor Chinn, chairman and chief executive of Lex Service, the car and electronics group, told the recent AGM that he remained cautious on the economic environment both in the UK and the US and its effect on business.

However, he did expect profits for the first half of this year to show "a healthy recovery" over the second period of 1989, when they reached only £19m and resulted in a reduction from £70.4m to £55.8m for the full year.



Sir Trevor Chinn: cautious on economic environment

Operating profit from passenger car businesses was encouragingly higher in the first quarter, compared with the last period of 1989.

The electronic component side, including a strong contribution from the joint venture in Taiwan, achieved a small lift in trading profits in the opening three months over the like 1989 quarter.

Power Corporation exceeds I£10m

Significant growth has been shown by Power Corporation, the Dublin-based commercial property investor and developer, in 1989.

Turnover expanded from I£11.36m to I£30.93m, or £30m, while the pre-tax profit increased from I£6.41m to I£10.26m, equal to £9.96m. With earnings at 10.02p (8.37p) the final dividend is 3.6p for a total of 5.4p on capital increased by the March 1989 rights issue (5.1p).

Mr Robin Power, the chairman, said the company now had an excellent base from which to expand. At present there were no net borrowings, bank syndicate facilities had been increased and there was available increasing amounts of non-recourse finance for new purchases.

"In a market where sellers now outnumber buyers, attractive acquisition opportunities are available", he said.

The company operates in Ireland, the UK and the US. At the year-end its net tangible asset value, following independent valuation, was 244p, against 95p at end 1988. That excluded the interest in Ambassador Hotel development site of 23.5 acres in Los Angeles and the Town Centre in Blackpool, both taken at cost.

Trocadero Centre continued its good progress and the trading properties in Kensington High Street performed satisfactorily. Following the establishment of new rent levels disposals were made for substantial profits.

Apart from the Ambassador interest, other purchases were made in the US.

Consumer downturn hits S Lyles

The difficult conditions in the home domestic carpet market meant reduced turnover and profits for S Lyles in the half year ended December 31 1989.

This Dewsbury-based yarn spinner and dyer saw sales fall to £9.82m (£11.42m) and the pre-tax profit, exacerbated by high interest charges, drop to £301,000 (£491,000).

However, turnover in the current six months was running at a higher monthly level, and exports were performing well, said Mr John Lyles, the chairman.

That should lead to a satisfactory outcome for that period, especially when viewed in the context of the trade as a whole.

In the first half, exports were higher by volume and value; turnover rose to £4.4m (£4.01m).

Earnings fell to 2.51p (4.18p) but the interim dividend is held at 1.5p.

Acquisitions help lift CCS to £177,000

The enlarged CCS Group, supplier of a broad range of specialist subcontract services and building materials, lifted its pre-tax profit from £144,000 to £177,000 in the year ended November 30 1989.

But had the largest acquisition, G Blagg, been wholly-owned throughout the year, the profit would have been £354,000, said Mr Chris Wilson, the chairman.

The group came too the USM a year ago following the reverse takeover of Bluemel Brothers, the cycle accessories group. It made three acquisitions and expanded into several new areas of activity.

Mr Wilson was confident that the enlarged trading base would provide a solid foundation for strong growth.

Turnover for the year expanded to £6.55m (£3.78m). Earnings were 1.18p (0.92p) and the final dividend is 0.35p for a total of 0.55p.

Children's Medical net asset value rises

Net asset value at Children's Medical Charity Investment Trust stood at 98.8p per share on December 31, compared with 95.9p a year earlier. Fully diluted for the warrants, the value increased from 96.5p to 99p.

The trust had a surplus of £71,402 (£52,952) for 1989, before tax of £43 (£41).

LEGAL NOTICES

DREXEL BURNHAM LAMBERT LIMITED
(In Administration)

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at The Chartered Insurance Institute, The Insurance Hall, 20 Aldermanbury, London EC2V 7HY on Wednesday, the 2nd day of May 1990 at 11 o'clock in the morning, for the purposes mentioned in Section 98, 100 and 101 of the said Act.

Statements of claim, and proxy forms if applicable, must be lodged at 165 Queen Victoria Street, London EC4V 4DD not later than 12.00 noon on the 1st day of May 1990.

A list of the names and addresses of the company's creditors may be inspected, free of charge, at 20 Farringdon Street, London EC4 on 30th April 1990 and 1st May 1990.

Dated this 17th day of April 1990.

By order of the Board with the consent of the Joint Administrators.

M.L. Manning, Secretary

UK COMPANY NEWS

Central TV buys 49% of US producer's UK arm

By Raymond Snoddy

CENTRAL Independent Television announced yesterday it had agreed to acquire a 49 per cent stake in Chris Bearde Entertainment, the new UK-based international arm of the Los Angeles producer.

The Central deal which will call on finance and creative skills from both sides of the Atlantic to produce television programmes for the international market is the latest sign that Britain's ITV companies are becoming more international.

The agreement comes days after *Granada Television* announced at the MIP-TV programme market in Cannes the formation of a European consortium with Hachette International Television of France and Norddeutscher Rundfunk of West Germany to produce and distribute films for television on a worldwide basis.

Mr David Plowright, chairman of Granada Television believes the European television market has been transformed by deregulation and that there is a new will among European producers to be major suppliers to the world television market.

The announcements follow on the heals of the creation last month of Tango,a joint venture between Yorkshire Television and NBC, the leading US network, to develop television projects for the international market.

Of the top six ITV companies only London Weekend has stayed resolutely away from foreign acquisitions and decided as a conscious policy to concentrate on retaining its UK franchise.

Earlier this year Thames Television completed the £57m acquisition of Reeves Communications Corporation,producer of situation comedies such as Gimme a Break and Kate & Allie and TVS Entertainment paid $320m for MTM.

Apart from its stake in Chris Bearde Entertainment, Central already has a small US production and distribution company called Zodiac set up a year ago.

Mr Leslie Hill managing director of Central said yesterday of its new deal : " This venture is part of Central's strategy of growth from the group's core strengths of programme production, broadcast and distribution."

Receivers in at rest of Equity & General

By Andrew Hill

BARCLAYS BANK, which called in administrative receivers at Equity & General's financial services operation last week, has now appointed the same receivers to administrate the rest of the group.

The appointment of Mr John Richards and Mr Anthony Houghton of Touche Ross was again made at the request of the Equity board.

Equity's loss-making asset leasing activities were known to be a drag on the group's motor division, which owns a string of motor dealerships. It is understood that the motor division is not in difficulties.

The receivers needed access to the whole company because the financial services arm was involved with leasing, finance and contract hire business for the motor dealerships.

Equity announced in February that it planned to sell the finance division, which it said had been hit by high interest rates. At the same time, it warned that the division's losses would overshadow the better performance of the motor division, so that group would only produce nominal trading profits in 1989.

Second half loss cuts Hartons profit by £4m to £608,000

HIGH INTEREST rates caused a loss in the second half at Hartons Group, the plastics manufacturer and distributor. This downturn resulted in sharply reduced pre-tax profits of £608,000 for 1989 and compared with profits of £4.92m in 1988 and with £627,000 in the first half of 1989.

The recommended final dividend has been significantly reduced from 1.09p to 0.1p to make 0.2p (1.7p) for the year. The loss per share worked through at 0.06p (earnings 3.85p).

Mr Colin Astin, chief executive, said that the company was particularly vulnerable to the UK economic scene, because it had more than 30,000 customers with no one customer accounting for more than 1 per cent of turnover.

"We are in every aspect of industry," he said, "and there has been a lot of hurting going on, particularly in building and retailing."

Explaining the company's profits decline, he said: "We noticed at the start of 1989 that when decisions on capital expenditure had to be made, more and more of our customers were asking themselves what they could cut back on, until interest rates came down." Mr Astin maintained that Hartons' products fell into this "first savings to be made" category.

The company has made 80 redundancies in cutting the number of its branches from 32 to 27 and, although Mr Astin felt that the rationalisation was now complete and the "difficult trading landscape had now flattened out", he added: "I just hope it isn't the lull before the storm."

Turnover climbed from £124.53m to £153m in the full year.

COMPANY NEWS IN BRIEF

AITCH HOLDINGS is proposing to reduce its share capital by cancelling 5p on each of the 20p ordinary shares and share premium account by £3.14m in order to eliminate the deficit on reserves and facilitate the payment of dividends.

CITYVISION agm told that opening 20 weeks of current year had been more than satisfactory. Current cash balance exceeded £15m and no bank borrowings, leaving company set to take number of video rental stores to well over 1,000 (at present 670) without borrowing.

COWIE (T): Trading conditions continued to be difficult, Mr Tom Cowie, chairman, told the annual meeting, and there would not be a significant improvement in profits until interest rates came down. However, he added that trading in the first three months had held up reasonably well.

EUROMONEY PUBLICATIONS is buying Camrus Airport Publishers for a maximum £700,000 cash. Mr Jeremy Richardson, the controlling shareholder, will receive a £500,000 down payment, plus a further maximum £150,000 related to turnover; Mr Christopher Surgenor, who holds 5 per cent of the shares, will get a turnover-related consideration of up to £50,000. Camrus publishes periodicals covering airport supplies and aircraft maintenance; in 1989 it incurred a loss of £1,375 on turnover of £705,853.

KINGSTON OIL & Gas made pre-tax profit of $1.15m for 18 months ended December 31 1989, against $1.33m previous year. Earnings 11.31 (11.08) cents; final dividend 1.1 cents to make 2.6592 (1.75) cents, equal to 1.6619p (1p). The results were considered good against the background of major change in US oil and gas industry in general, and in Ohio in particular.

LINCOLN HOUSE is making its first acquisition outside the home furnishing area with the purchase of Troika, which makes corporate gifts, personalised items and jewellery, and is run by Mr Peter Osborne and Mr Phillip Gunn. Initial consideration is £70,000 cash and 80,000 Lincoln shares. Depending on profits the deferred consideration can be equal to the net asset value at end 1991, or 1.5 times profit subject to a maximum £2.5m.

NORMAN REEVES (Motors) has accepted the offers from Estates & General Investments in respect of 98.85 per cent of the ordinary and 84.63 per cent of the preference.

NSM has paid £650,000 in 161,290 shares and cash to purchase Envirotank (Irvine).

SIMON ENGINEERING says 95.5 per cent of the recent rights offer has been taken up.

T&N received acceptances in respect of 70.43m convertible unsecured loan units, representing 81.02 per cent of the offer.

VAUX GROUP: The 6¼ per cent debenture stock 1987/90 will be redeemed at par on April 30. A final interest payment of £1.58 per £100 of stock for the period from February 2 1990 up to the redemption date will be made. In addition, the 7¼ per cent debenture stock 1987/92 will be redeemed early at par plus a premium of 1 per cent of the nominal amounts of stock on April 30 plus accrued interest.

VERSON INTERNATIONAL has exercised its option and increased its holding in Verson Europa, of Belgium, from 40 per cent to 73 per cent. The previous principal shareholder was Societe Regionale D'Investment de Wallonie. That company and Verson agreed to an aditional capital subscription of BF73.5m (£1.3m) to Europa, of which BF58.5m came from Verson. SRIW also provided a BF45m 10 year unsecured loan to Verson at interest of 11.9 per cent.

WHITECROFT DEVELOPMENTS has sold its Fiscal House office development in central Manchester to the Electricity Supply Pension Fund for £5.7m. The building was pre-let to GRE Properties at an annual commercial rent of £350,000. Whitecroft has also let its Eldon office development in Reading.

Jones Group rises 6% to I£5.47m

A rise in pre-tax profits in 1989 from I£5.18m to I£5.47m, or £5.32m sterling, was yesterday reported at the Jones Group, the Dublin-based company.

Turnover was up at I£112.21m (I£86.32m) and earnings advanced to 35.9p (33.8p) per share. The final dividend is a recommended 8p (7p) to make 11p (10p) for the year.

Bibby expands paper side with £13.9m Belgian deal

By Clare Pearson

J BIBBY & Sons, the industrial and agricultural group, is paying £13.9m to acquire Eurofilters, a Belgian company, in a move which creates for its paper and converted products division the first manufacturing facility outside the UK.

Eurofilters claims to be Europe's biggest producer of filtration bags for use in a wide range of vacuum cleaning equipment. Its net assets amount to £8.1m and its profit before tax in 1989 was £2.1m.

Bibby's paper and converted products division was at the heart of a group pre-tax profits downturn from £30.18m to £28.64m in the twelve months to end-September. The division made a trading surplus of £1.41m, against £5.41m the previous year.

But Mr Richard Mansell-Jones, chairman, said this had reflected difficulties in passing on to customers increased costs of wood pulp experienced by the paper activities. Converted products had produced good results.

Eurofilters already buys Bibby's filter papers for conversion. Mr Mansell-Jones said the purchase moved the division not only into Continental Europe but also further downstream in the paper converting process.

Bibby's other activities, in science products and agriculture, have a wide geographical spread.

Gencor spends £51m raising stake in TransAtlantic

By Philip Gawith in Johannesburg

GENBEL, the investment arm of Gencor, the South African mining and industrial group has purchased a 6.3 per cent stake in TransAtlantic Holdings, the investment company 48 per cent owned by Liberty Life, the South African life office.

Genbel paid R341m (£51.26m or £4 each) for their 12.83m convertible preference shares. The shares are convertible into ordinary shares on a one-for-one basis at Genbel's discretion.

The sale of certain foreign holdings helped to finance the transaction.

Gencor has held a 8.3 per cent stake in TransAtlantic since 1982 and Mr Derek Keys, the executive chairman, sits on the TransAtlantic board.

Mr Anton Botha, Genbel's managing director, said the move was strategic. "In one move we have streamlined our offshore investment portfolio by acquiring a meaningful minority stake in an international investment company with international growth prospects."

TransAtlantic's major investments are a 71 per cent stake in Capital & Counties, the property developer and 28.9 per cent in Sun Life, the insurance company.

The TransAtlantic holding represents about 9.6 per cent of Genbel's net assets. Some of its other large holdings are in Engen and Impala Platinum, both subsidiaries of Gencor, and in Iscor, the recently-privatised South African iron and steel corporation. Genbel's current market capitalisation is about R3.5bn.

Mr Botha added that the investment was of sufficient size and potential to serve as the nucleus for further international expansion. He added that the move could improve Genbel's credit rating with the international banking community.

Guinness chairman attacks increase in Scotch whisky duty

By Philip Rawstorne

THE GOVERNMENT's Budget increase in Scotch whisky duty comes under sharp attack today from Mr Anthony Tennant, chairman of Guinness.

"No other trading nation I know of discriminates so markedly against one of its own special interests," Mr Tennant says in the company's annual report.

His comments follow further strong criticism of the 10 per cent increase in duty from Mr David Connell, chairman of the Scotch Whisky Association (SWA), in Glasgow yesterday.

Mr Connell said the Budget "had done much to handicap and nothing to help" the industry.

Mr Tennant, taking up the theme, points out that the British consumer now pays 69 per cent of the the average price of a bottle of Scotch in tax. "In the other 11 of the top 12 markets, tax averages 37 per cent."

The UK – through Guinness, Grand Metropolitan and Allied-Lyons – is now the world's largest exporter of spirits.

In 1986, the last year for which comprehensive data is available, these exports amounted to $1.28bn(£751m).

Yet both wine and beer, in which Britain has a £500m trade deficit with the rest of the European Community, are more favourably taxed.

Mr Tennant has already made it clear that he supports the SWA's call for a revision of excise duties – by stages if necessary – so that all drinks are taxed equally on a unit of alcohol basis.

The issue is assuming greater importance in the context of the current debate on fiscal approximation within the EC.

The UK, as a net exporter of spirits, has a special interest in arguing for fairer tax treatment, Mr Tennant believes. But the Budget decision had "sent the wrong signals" to Brussels.

The EC's current proposals reflect the bias of the wine-producing member states. Spirits would be taxed 13 times as heavily, and beer twice as heavily, as wine in the majority of countries.

"This would be extremely damaging....and must be rejected. The adoption of a more equitable structure of taxation in the UK would be both rational and defensible in itself. It would also strengthen the hand of the UK in opposing the Commission's discriminatory proposals."

Mr Tennant, the highest paid director of Guinness last year on £495,000, in his annual report also stoutly defends the company's inclusion of acquired brands – currently valued at £1.37bn – in its balance sheet.

FINANCIAL TIMES SURVEY

The authority of the new Government is under threat from internal squabbles and its handling of a series of issues that displayed a lack of direction. The anxieties over troubles in Kashmir have added to the nation's growing crisis of identity. David Housego reports

Identity crisis takes its toll

INDIA embarked after November's general election on what has been only its second experiment with non-Congress rule with that mixture of expectation and apprehension that comes with large change. Almost five months into the government of Prime Minister Singh, the authority of his new administration has been eroded both by its own internal quarrels and its failure to give a firm direction to policy.

On issues such as the handling of the separatist movements in Kashmir and the Punjab – which have emerged as traumas that Indians feel challenge their very identity as a nation – the Government has so changed tack in its approach that it seems unsure what policy to follow.

Over economic policy, the Government's approach is one of gradual change in line with the minimum common programme agreed among the coalition partners. Liberalisation will thus continue at a pace that seems likely to postpone India's closer integration into a more competitive world economy.

The Government has embarked on a series of investigations into allegations of "kickbacks" paid in contracts with multinationals – both in an effort to nail former Prime Minister Rajiv Gandhi and to diminish the level of corruption in public life that quantitatively increased under his premiership. But their own moral credentials have been undermined by failing to disown the eldest son of Mr Devi Lal, the deputy Prime Minister, for widespread ballot rigging in Haryana, and for appointing chief ministers in other states with dubious records.

The administration has been ridiculed for the humiliating drama of Mr Lal's resignation from the administration – precipitating the Government's first political crisis in March – and then for his withdrawal of it. It came under attack over its incompetency in allowing the initial constitutional bill for maintaining President's rule in the Punjab to fail in the Parliament.

The list is long but can be extended. It has mishandled the grounding of the Airbus A320 fleet after the crash in Bangalore; it allowed telecommunications policy to be disrupted by a quarrel over personalities; and it took on the Reliance group in a battle for control of Larsen and Toubro, the high technology engineering company, without fully foreseeing the consequences.

Some of these mistakes can be put down to inexperience and to the difficulties that stem from being a minority administration. Mr Singh's Janata Dal party has only 141 seats in a Parliament of 543 – and it is an amalgam of disparate groups.

It is thus dependent for support in the Parliament on the right-wing Hindu radical BJP party, which has 88 seats, and the Marxists, with 44 seats. As issues have emerged on which these two movements hold widely divergent views so the Government has found itself under contradictory pressures.

Much of the Government's difficulties are due to the leadership style of Mr Singh. In opposition his success was in holding the disparate opposition forces together against Mr Gandhi by allowing conflicts to run their course until they lost momentum. Mr Singh has continued the same tactic in government, seeking to build a consensus before announcing policy. The result has been an impression of indecisiveness and drift.

Indicative of this is that he initially established a small ministerial team with a view to broadening it – preferably by drawing in Congress defectors or representatives from the other parties supporting him in the Assembly. But by mid-April he had still not enlarged his cabinet, with the result that ministers were overloaded with business. Decisions were consequently delayed.

If Mr Singh faced a strong opposition, he would by now be in trouble. But the November general election left a fragmented political landscape in which none of the leading players yet command a dominant position and in which new alliances and alignments to provide for a stabler long term majority have yet to be formed.

The election confirmed what seems increasingly like a long-term erosion of the Congress party, which has been decimated in the north while remaining a force in the south, which in political terms is outside the main fulcrum of power. Mr Gandhi has shown little sign of how he intends to reinvigorate the party and its flagging local organisation. He was saved as party leader by the lack of any credible challenger.

The main new factor on the Indian political horizon is the rise of the BJP, which has extended its base from two seats in the last Parliament to 88 in the new Lok Sabha and to participation in the government of several states. It voices a militant Hindu nationalism that has grown in strength from what is seen as the government's weakness in the handling of Kashmir and the Punjab and from Hindu fears over rising Hindu-Moslem tensions. The BJP is still mainly a northern party but clearly aims to be a national party and to take power in Delhi.

This fragmentation in the political landscape that emerged in November is an inevitable reaction to the strains that have surfaced from maintaining an over-centralised system of government in a country of over 800m people. Resentment over this has made itself felt in a host of regional, ethnic, linguistic, tribal and religious movements that gather strength by reflecting local discontents.

The break-up of the old order – symbolised by the almost uninterrupted Congress rule since independence – when there is no clear idea of when new political majorities will emerge and how the balance will be struck between regional and central power is one of the factors behind India's sense of fragility. Old insecurities that date back to Partition and reflect fears of the union falling apart have come to the surface again.

This crisis of identity is at its most severe in the handling of Kashmir, where anxieties that a Moslem state could secede from the union touch the nerve of India's foundation as a secular state embracing Hindus and Moslems.

It is in this sense that the insurgency in Kashmir by Moslem separatists faces India with what is arguably its greatest challenge since independence – with a real risk that the increasingly bellicose rhetoric between India and Pakistan over the issue could carry the two countries to war.

The problem of Kashmir is made worse by its bordering the Punjab where the Sikh secessionist movement has intensified its terrorist campaign. Fears that a newly elected state assembly in the Punjab could declare its support for Khalistan led the Government this month to postpone elections again and prolong President's rule.

This sense of insecurity has all-but stalled attempts to improve relations with India's neighbours – one of the priorities of this government. Relations with Pakistan are at their lowest ebb for many years. Relations with other neighbours suffer from uncertainties over India's use of force.

The sense of fragility, and an anxiety not to exacerbate social and economic strains, has put the brakes on economic liberalisation, and on the shift to a more outward-looking India – both of these having been marked trends in the 1980s. India has all the potential for achieving even higher economic growth than the record rise of over 6 per cent of GDP that it realised over the last five years. In particular it has the potential for higher rates of manufacturing growth by exploiting its competitive advantages to gain a larger share of world markets.

But the high growth of the 1980s was accompanied by strains over the balance of payments, larger fiscal deficits, growing inflationary pressures and wider disparities of wealth.

The new government wants to avoid such tensions or the difficulties and pain that could come from more rapid adjustment. It wants to achieve change by proceeding slowly, by combining growth with equity, and by maintaining as wide a consensus as possible.

The next few months will see whether Mr Singh can establish a firmer foothold or continue to tread on moving sands. At the very least the political parties that support him in the Assembly still see more gain from his continued survival than in bringing him down. But once the prospect of elections emerges it is likely to be each man for himself.

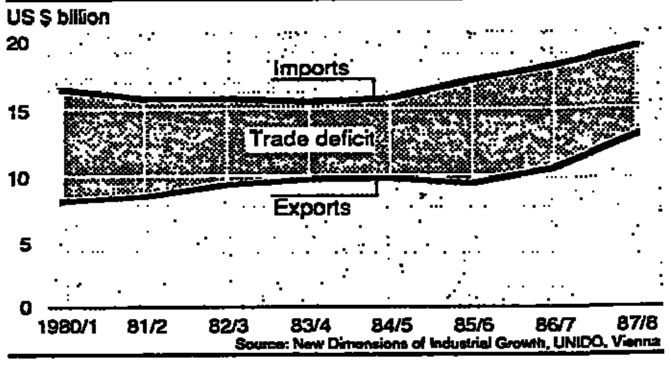
The crowded streets of old Dehli

Ashley Ashwood

INDIA

IN THIS SURVEY

Foreign trade



Source: New Dimensions of Industrial Growth, UNIDO, Vienna

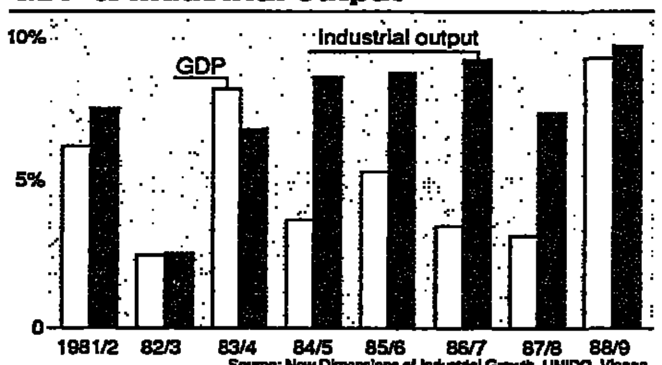
KEY FACTS

Area (km sq)	3,288
Population (m)	796.60
Head of State	Ramaswamy Venkataraman
Currency	100 paise = 1 Rupee
Average Exchange rate	16.226 Rupees/$

ECONOMY	average 1979-89	1988	1989
Total GNP (US$)		269,697	267,251
Real GNP growth		8.6	5.0
GNP per capita		300	
Current Account Balance		-5,500	-5,200
Total reserves minus gold		4,899	3,859
External Debt		48,302	53,538
Debt service/exports		24.4%	24.3%
Exports incl. non-factor svcs		14,000	15,500
Imports incl. non-factor svcs		19,250	20,000
Trade Balance		-5,250	-4,500
Export Volume growth rate		-11.6%	10.4%
Inflation	9.3	7.3	7.0%

SOCIETY	average 1980-87	1988	1989
Life expectancy	58		
Population growth rate	2.1%		

GDP & industrial output



Source: New Dimensions of Industrial Growth, UNIDO, Vienna

David Housego looks at the shape of economic policy

Cautious approach emerges

WHEN THE shape of the new government's economic policy emerged in the Budget and statement of trade policy in March, it revealed an administration more cautious about the pace of economic change than its predecessor. It had *been bound by the political* imperatives of holding together a weak and disparate coalition, and the need to avoid policies that might exacerbate social or economic strains.

The trend towards liberalisation will be slower and with a change of emphasis. The main priority will be on improving internal competition by simplifying and reducing industrial licencing procedures. Mr V.P. Singh, the Prime Minister has said he still considers controls necessary. Emphasis will shift from physical to fiscal and financial controls, to ensure the channelling of a larger share of resources to priority areas, such as agriculture.

On foreign investment – where the previous government had seemed likely to move towards allowing foreigners to hold a majority stake in an Indian company – the new administration has confirmed that the normal ceiling for foreigners equity participation will be 40 per cent. Within this ceiling the Government intends to provide almost automatic approval for foreigners wishing to invest. Foreigners will be barred from certain areas such as soft drinks where the Government sees no need for foreign investment.

The Prime Minister has given no sign that he favours privatisation of India's substantial public sector. But the Government is encouraging the private sector to invest in the electric power industry and other sectors previously reserved to the state.

On the opening up of the economy towards foreign competition by reducing tariffs, the Prime Minister has said that the process would be gradual and in line with the improvement in India's balance of payments. India has one of the highest rates of industrial protection in the world with effective tariff rates of between 80 and 120 per cent.

Fears that the Government, under pressure from the left, would re-impose import controls appear unfounded. Car manufacturers have had their foreign exchange allocation for imported components cut by 15 per cent and the Government is being more attentive to the foreign exchange content of investment.

The Budget was equally timid in its approach to what the Economic Survey (the Finance Ministry's annual review) identified as the main problem of the economy – the cumulative Budget and current account deficits that have produced an unsustainable build up of debt.

Mr Madhu Dandavate, the Finance Minister, plans a *reduction in the fiscal deficit* from about 8.5 per cent of gross domestic product in 1988-89 to 7.5 per cent. This would reduce inflationary pressures and help to shelve the issue of high public sector borrowing squeezing out the private sector and increasing the pressure for higher interest rates.

This preference for a "soft landing" is reflected in the decision not to return to the IMF to borrow the $2bn-3bn India needs to bolster foreign exchange reserves. The fund would have pressed for a sharper deflation of demand and further moves on tariff reform, privatisation, and foreign investment to improve India's competitiveness and get higher long-term growth.

Officials argued that India need not take the more radical steps forced on countries like Mexico and Brazil whose economic situation is much worse. They said that this Government is averse to taking risks over high growth policies that could exacerbate social and economic strains.

Over the medium term, the Government's intention is to move towards internal deregulation and to open the economy up to foreign competition. In terms of the fiscal and external balance, the aim is to reduce the Budget deficit to 6 per cent over three or four years and the current account deficit from just under 3 per cent of GDP to 1 per cent.

Mr Raymond Barre, the former French Prime Minister highlighted the danger of this gradualist approach at the recent World Economic Forum meeting on India. Countries that are slow to make structural changes and resist the stimulus that comes from making their economies internationally competitive take the risk of falling behind, he said.

The Budget decisions were taken against the background that over the last five years the Indian economy has been growing at its fastest rate since independence. Real GDP, during the five-year-plan which has just ended, rose at over 6 per cent per annum. Most of the new growth came from the industrial sector with manufacturing output rising by over 8 per cent a year.

Growth in agriculture was slower prompting the new administration to announce a shift in resources towards agriculture and rural development.

The other side of the coin to this fast growth has been the surge in the fiscal and current account deficits.

The Budget deficit has jumped from 5-6 per cent of GDP in the late 1970s to over 8 per cent in recent years. *Interest payments on the government's* domestic debt have doubled in the decade to 4 per cent of GDP – absorbing a growing proportion of current expenditure and accounting for the declining share of capital spending in government outlays.

The current account deficit has risen from an average of 1.3 per cent of GDP in the first half of the 1980's to 2.5 per cent over recent years. India's external debt has thus risen to well over $60bn.

In one way the Government's position in framing the Budget was more difficult than these long trends suggest. After a record in growth in real GDP of 10.6 per cent in 1988-89 as the agricultural sector rebounded in the wake of two years of drought, the economy slowed down in 1989-90 to an estimated increase of 4-4.5 per cent.

The Government's room for further deflating the economy was tempered by the political desire to maintain buoyant growth. In another way, the new administration had its path eased. Partly because of the slow down in the economy and also because of the impact of currency depreciation, the trade deficit had shrunk by 16 per cent in the first nine months of the last financial year. Behind this were slowly rising imports levels and a 38 per cent increase in exports.

In volume terms exports have been growing at an annual rate of 10 per. Within the context of achieving a small reduction in the Budget deficit, the most difficult objective in the Budget is contain*ing the growth of expenditure* to 7 per cent.

Additional subsidy payments, the cost of living allowance for state employees and defence could all push spending beyond that rate.

With little room for manoeuvre over spending, the shift in resources to agriculture was modest. The most striking measure was the Rs10bn allocated for debt relief for farmers. This was less than anticipated and relatively small beside the outstanding Rs140bn of rural debt.

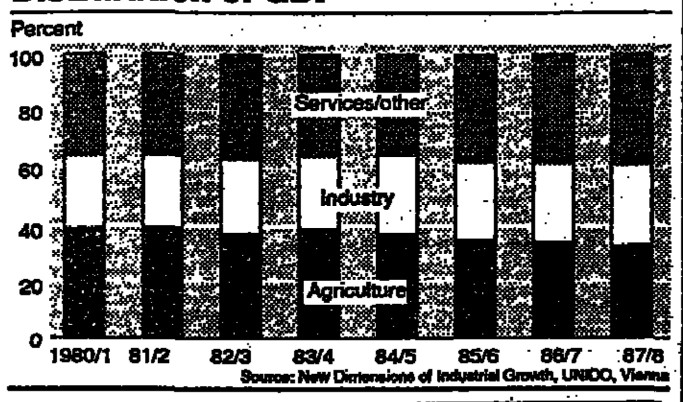
On the tax side, the corporate sector had expected a sharp increase in new levies. Though companies were asked to pay an additional Rs8bn – or 44 per cent of new taxes – this was accompanied by a lowering of corporation tax from 50 to 40 per cent. The additional revenue came from the scrapping of exemptions such as investment allowance.

The Government sees these changes as part of a move towards a simpler and more moderate tax structure and with the tax base being gradually widened. Like the Budget, the new import-export policy issued at the end of March adopted a gradualist approach.

The main emphasis was on providing incentives for exporters. The main move in this direction was to allow companies freedom over how they dispose of the 10-20 per cent of export earnings they are allowed to retain in foreign exchange. In future companies will be allowed to use this "replenishment" allowance either to purchase freely what imports they require or to trade it, thus creating a market in free foreign exchange.

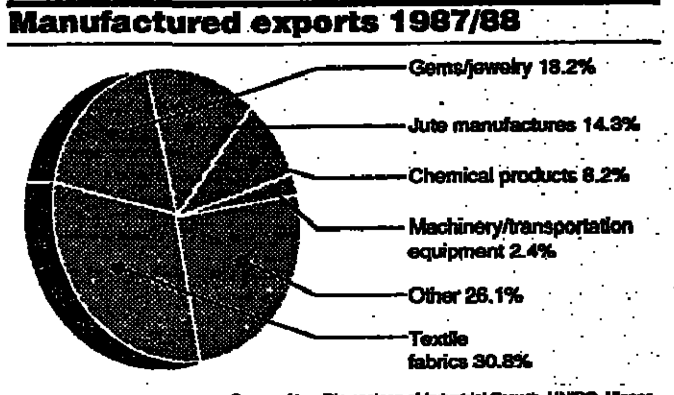
Over the long term this type of incentive is no substitute for a macroeconomic policy aimed at reducing the high costs of the Indian economy and improving industry's competitiveness. This remains the surest way of securing a long-term improvement in India's export performance.

Distribution of GDP



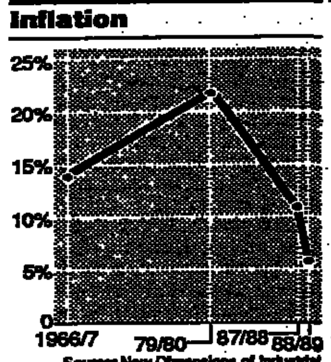
Source: New Dimensions of Industrial Growth, UNIDO, Vienna

Manufactured exports 1987/88



Source: New Dimensions of Industrial Growth, UNIDO, Vienna

Inflation



Source: New Dimensions of Industrial Growth, UNIDO, Vienna

K.K. Sharma *on attempts to improve foreign relations*

Fence mending is a lengthy job

I.K. Gujral (left) and Prime Minister V.P. Singh

THE National Front government took office with the promise that it would take "bold and creative initiatives to weave a new pattern of relationship with our neighbours," raising hopes that a new era would be launched that would end the confrontation with many of them.

The government's foreign policy has not moved quite along these lines. Indeed, Mr V.P. Singh, Prime Minister, has *twice spoken to Parliament in* the last few weeks about the country's "will and capability" to wage a war with Pakistan. Once again, dark war clouds hover ominously over the subcontinent.

Relations with Pakistan, India's most important neighbour, have worsened and the traditional mutual hostility between the countries has intensified. One ominous result is that the new government has been forced to reverse Mr Rajiv Gandhi's budgetary cuts on defence expenditure made last year and has raised defence allocations in spite of the effort to curtail the budgetary deficit.

Mr Singh has spoken of Pakistan's nuclear programme and hinted broadly that India would also have to revise its policy of using nuclear energy for peaceful means if the neighbouring country made nuclear bombs. These statements are similar to those made in the past.

Strains in Indo-Pakistan relations have intensified and the hostile content and tone of exchanges between them remain unchanged. The main reason is the impact of domestic events, particularly the secessionist movements in Kashmir and Punjab, on foreign policy.

Mr I.K. Gujral, India's Minister for External Affairs, made a brisk start towards carrying out the promises in the election *manifesto. The first few* weeks of office of the new government witnessed visits by Ministers or special envoys to New Delhi, particularly from Pakistan, Sri Lanka and Bhutan. Indian officials took up with two of Ms Benazir Bhutto's special envoys what they allege to be Pakistan's support of subversion and rebellion. Their visits coincided with increased violence in Kashmir where militants have launched a violent movement for secession from the Indian union.

As the situation in Kashmir worsened, the statements made by Ministers became more belligerent. In the first parliamentary debate on foreign policy earlier this month, Mr Gujral spent nearly half his speech on Pakistan, stating that while India wanted to "keep all channels open" and settle all problems through negotiations, "Pakistan cannot take Kashmir by war or subversion in a thousand or million years."

The hopeful part is that both countries remain committed to exchanging official delegations to discuss problems of their internal security, defence, irrigation and trade. But so far, there is no talk of a meeting between Mr Singh and Ms Bhutto.

Relations with Sri Lanka and Nepal, on which Mr Gandhi attracted criticism because of "bullying tactics" have been somewhat better, although the slow pace of the improvement has been due to appreciation of the fact that politicians in power have to deal with realities and do not have the same freedom to speak and act as they did when not in office.

Indian troops have finally been withdrawn from Sri Lanka, ending an unfortunate intervention that has not settled the Tamil issue in the island republic and has left a *legacy of suspicion about New* Delhi's intentions. The withdrawal was to have coincided with a new treaty of friendship but little progress has been made on finalising an Indian draft submitted some months ago.

Relations with Nepal, on the other hand, seemed to improve when Ministerial-level talks on leading issues yielded results a month ago. But internal events in Nepal, where the Prime Minister and Foreign Minister who negotiated new treaties with India have resigned, have again muddied the picture.

A new relationship will now have to be forged with the politicians who take power under the constitutional changes envisaged in Nepal. Mr Singh's remarks when the movement for democratic reforms began in Nepal – that "these are internal affairs" of that country, thereby not giving even tacit support to the movement's leaders – make the task more difficult.

Sino-Indian relations, on the other hand, appear to be on the mend after nearly four decades of confrontation. The new Indian government has pressed ahead with the initiatives taken by Mr Gandhi – who visited Peking late in 1988, the first time an Indian Prime Minister has gone there since the border war of 1962. Recent talks between the Foreign Ministers of both countries have been acclaimed by both as heralding a new era in Sino-Indian relationships.

Yet the new government has been criticised by some for pressing ahead with normalisation of relations with China without making progress on resolving the intractable boundary issue over which the two countries fought a short but bloody war in 1962.

The government's critics claim it has collaborated with China to put the border issue aside by assigning it to a slow-moving committee of officials. At the same time, the Government has not been able to clarify what it considers India's role should be in a changing world. It has found mending fences with neighbours a slow-moving and difficult process even though its message is that it is giving priority to this.

Indeed, Mr Gandhi has been able to take political advantage by pointing to the new government's sometimes inept handling of foreign policy issues and lack of clarity on India's role. Mr Gandhi preceded Mr Singh with his own delegation to Namibia, for instance. He has also raised embarrassing questions about Mr Singh's "soft" attitude towards Pakistan at a time when there is turmoil in Kashmir and Punjab. To many observers, it seems the new government has still to get to grips with foreign affairs.

PROFILE: Devi Lal

At the centre of a controversy

MR DEVI LAL, deputy Prime Minister, had a large say in the founding of the ruling Janata Party. Yet just over 100 days after the new Indian Government took office he was instrumental in plunging it into its first serious crisis by submitting his resignation.

In doing so, he underscored the fragility of India's coalition. Although the Government survived the crisis when Mr Lal was persuaded to withdraw his resignation, the scars remain and speculation is rife over whether the Janata Dal and the coalition will survive.

Mr Lal is the centre of the controversy. He is big, burly and coarse. He helped to install Mr V.P. Singh as Prime Minister after last November's general elections, rejecting the office after declaring he preferred to be the Janata Dal's "Tau" (elder uncle).

He was then persuaded to join the Cabinet as deputy Prime Minister – and controversies have dogged his actions and utterances since then. His avuncular image has vanished and been replaced by the belief that he could wreck the party. He is seen as a person who places the interests of his family above the party's.

The controversies in which Mr Lal is involved began when he named his eldest son, Mr Om Prakash Chauthala, to succeed him as Chief Minister of Haryana, thereby attracting flak for perpetuating a dynastic system.

Mr Chauthala has been a grasping and unprincipled politician. His dictatorial approach to Haryana politics earned him new enemies. Allegations that Mr Chauthala rigged a by-election in the Meham constituency to ensure his election to the Haryana legislature – the election commission has ordered another poll – have led to demands that he should quit the chief ministership of Haryana.

Mr Lal says the attack on his son is part of a conspiracy against himself and has reacted like an angry bull, accusing the "capitalists and Press barons" of conspiring to remove him from politics because they opposed his demands for giving priority to agricultural development.

He has charged senior leaders in the Janata Dal of allying themselves with the "capitalist" conspiracy. Crude off-the-cuff remarks about senior Janata Dal leaders such as Mr Ajit Singh, Minister for Industry and also a farmers' leader, have led to quarrels within the party. The party is widely viewed as being divided and riven by factionalism.

Yet until the controversies over his son broke out, Mr Lal was said to be one of the most agreeable men in Indian politics with a direct and uncomplicated, if somewhat simplistic, approach.

The rural sheen of the Janata Dal is due to Mr Lal. He is responsible for the controversial decision to waive farmers' debts, to allocate 50 per cent of funds for development to agriculture and the party's commitment to give priority to the interests of the rural population.

Mr Lal is accused of using the farmers' card to make political capital and make unwarranted demands. In his resignation letter, for instance, he asked that 50 per cent of judges, state governors and ambassadors be appointed from rural areas. This has led to the charge that he is making an aggressive claim to be the sole representative of the vast majority of the Indian people and thus claim for himself and his family an exalted position in the country's politics.

In the process, he has denigrated others by accusing them of belonging to elitist sections. These accusations have created the impression that the leaders of the Janata Dal are at loggerheads, each striving to topple the other. Mr Lal is very much in the business of toppling people he considers his enemies.

Devi Lal, deputy PM

Opinion is divided on how powerful Mr Lal is. He belongs to Haryana, a small state which has 10 members in parliament. Against this Mr Lal played a prominent role in selecting Janata Dal candidates for the parliamentary elections and many of them are indebted to him. Although his own following in the party is said to be no more than 20 members of parliament, he is supported by such influential chief ministers as Mr Mulayam Singh Yadav of Uttar Pradesh in the important Hindi-speaking belt.

He emerged as a national politician after his victory in the Haryana state elections in 1987 and the campaign against Mr Gandhi in northern India. He was largely instrumental in getting the opposition to unite, achieving a patriarchal status in the process.

Some of the shine on Mr Lal's popularity has rubbed off since he tried to save his son's political career, a stone on which many Indian politicians have stumbled. Whether he will split the Janata Dal in the process remains to be seen.

K.K. Sharma
New Delhi

Gita Piramel finds manufacturers surprisingly optimistic about industrial growth

When demand is Monsoon-driven

THE NATIONAL Front government had barely been in office when they blew the whistle. Or so it seemed.

A December 1989 white paper by the economic advisory council predicted not only rising inflation and a balance of payments crisis but also a "substantial deceleration" in industrial growth.

According to the council, the rate of industrial growth which had averaged over 8 per cent in the past five years had fallen to 3.8 per cent. However, in spite of the dire predictions of an imminent slowdown in the economy with its natural corollary of reduced demand, most businessmen do not appear to be unduly worried.

Their optimism is reflected in the level of investments. Few companies appear to be scaling down their investment programmes. Grasim Industries, the Bombay-based viscose staple fibre producer, remains committed to its ambitious Rs24bn expansion and diversification programme. Bajaj Auto, Pune-based scooter manufacturer, is planning to increase its two-wheeler capacity from 1m units to 1.75m units by 1995 at an investment cost of Rs3bn.

According to Dr. Manu Shroff, a leading economist, the reason for such optimism among Indian businessmen is not hard to find. "It is a question of demand. We had two bad monsoons and it has taken nearly two years for demand to build up again. The economy had slowed down, but now I think industrial growth will pick up once again," he says.

Mr Amitav Ghosh, deputy governor of the Reserve Bank of India, agrees. "There is no need for pessimism about a general slide in the rate of industrial production. Though some sectors have declined, others have accelerated."

The contours of industrial growth may be significantly different from earlier years. In order to fortify its lean store of foreign exchange, the Government is exerting a steady pressure on business houses to develop India's export potential. Responding to the directive, some Indian companies are looking beyond simple export drives and portraying India as a global source for a wide spectrum of products and services – with some success.

Among them are Tata Consultancy Services (TCS), a leading software development company, and Proctor and Gamble, the US consumer products group. Mr Y.P. Sahni, senior vice president of TCS, explaining IBM's decision to source software development in India, says: "In terms of human resources, we have a large, well-educated pool which is easily trainable. We have an excellent cost structure."

Mr Gurucharan Das, managing director of Proctor and Gamble India, says: "We are the lowest cost producer for Clearasil and the Vicks range of cold remedies, cheaper than our Mexico operations. We are trying to convince Proctor and Gamble of the logic of sourcing their global requirements for these products in India. My objective is to get 1 per cent of the company's worldwide turnover sourced from India."

If he succeeds, exports would raise Proctor and Gamble's India's sales by nearly Rs3bn. At another level, the National Front administration has repeatedly stressed that it would like to initiate large structural changes in industrial growth.

One suggested change is a shift away from "white" goods such as videos and washing machines towards labour-generating "essential wage goods" such as soaps, handlooms and agri-business.

Professor Madhu Dandavate, Finance Minister says: "We all want growth but the question has to be asked, growth for whom? Earlier, the entire perspective was for elitish growth, a trickle-down theory.

"The gains of growth will percolate down and the people at the grassroots level should wait with begging bowls to gain the fruits of growth. This is not consistent with the principle of equity. In our model it may sometimes appear that numerically the rate of growth is slow but the pattern will be such as to remove structural inbalances and we will try to ensure that vast sections of society can take advantage of the gains of growth."

Keeping in mind the new government's priorities, some businessmen are re-thinking their manufacturing strategy.

Mr Siddharth Shriram, an aggressive Delhi-based businessman with interests in sugar, refrigeration, and fertilisers says: "A businessman cannot formulate a business strategy according to which government is in power. Today, I would not start making jacuzzis but I would consider expanding my sugar interests."

Over the next few years, the focus may shift towards rural markets. Until now most consumer goods companies used to direct their marketing and distribution efforts almost entirely at urban markets. A recent study by the National Council for Applied Economic Research (Ncaer) unveiled the impressive purchasing power of rural consumers.

According to the Ncaer study, in 1987-88, this section of society bought a lion's share of consumer durables such as bicycles (75 per cent), radios (72 per cent), watches (71 per cent), motorcycles (45 per cent) as well as substantial numbers of television sets (27 per cent).

Television, in fact, is playing a large role in opening up the rural market. "Through television, we have a medium to reach this untapped market. Over the past few years, we had noticed that the rural market was expanding, but we felt that a lot of it was for basic goods and that a large percentage of it was for sales of soaps, toothpastes and bikes. The Ncaer study is quite a surprise," says Mr Anil Bhatia, vice president of Hindustan Thompson Associates (HTA), advertising agency.

The opening up of this market of over 600m people would lead to an explosion of industrial activity. But in an economy where mother nature holds sway, it will not be India's sons-of-the soil politicians, erudite economists, clever managers or marketing whiz-kids who will determine demand and industrial growth but the fickle monsoon rain.

A new generation of wealthy entrepreneurs is emerging

The elusive secret of success

IN 1980, nobody had heard of them. Today, they tower over their respective businesses. They are a whole new generation of entrepreneurs, men without inherited money who are India's new millionaires.

With backgrounds as diverse as their means of reaching the top, the only thing they share is success. Typical of the tribe in many ways is Mr Dilip Kulkarni. His father earned Rs3,000 a month working for the Modi group. The son drives to work in a Mercedes-Benz where he runs the Rs330m Skypak group, perhaps the largest courier service in India.

Out of work and out of money, but convinced that an employer would always pay him less than his worth, Mr Kulkarni in 1981 gambled on a hunch. DHL had just come to India. He managed to bring DHL and Skypak together. Within months he had built a network of offices in 130 Indian cities backed by the international partner. As sales took off, the Skypak group diversified into air freight, travel and tourism and it is planning to build a five-star hotel in Goa.

Mr Kulkarni made it to the front pages before he was 30 years old. In comparison, Mr Brijamohan Lall's progress might appear more pedestrian. Before 1985, few outside the industry had heard of his Munjal group.

It was only when his flagship company, Hero Cycles, peddled its way into the Guiness Book of World Records as the world's biggest cycle manufacturer did the Indian financial press sit up and take notice of the Ludhiana-based 13-company group. But if the media was slow to recognise the Munjal group's many talents, Honda was not.

A year earlier, the Japanese car company linked with this apparent non-entity in a joint venture to produce motorcycles in India. No mean achievement for a group which started out in India in 1956 as a facility to manufacture 25 bicycles a day.

Production has climbed to over 1,000 bikes per hour. Beyond the stunning performance in bicycles is a transport empire churning out motorcycles, mopeds, two-wheeler components, castings and bicycle machinery closely monitored by the 16 working members of Ludhiana's first family.

Mr Lall's triumph in northern India is matched by Dr Prathapc Reddy in healthcare in the south. In a country where hospitals are generally government bureaucracies providing indifferent health care, Dr Reddy's Apollo group has opened up a frontier based on the US principle that hospitals should be efficient public limited corporate entities paying dividends to shareholders.

When Dr Reddy first put forward this idea, investors laughed him out of their offices. Seven years after his first multi-speciality hospital in Madras opened in 1983, prominent industrialists such as Mr Vijay Mallya are queuing up to sign partnerships with him.

He has two hospitals under his microscope, a third about to start operations and 14 more on the drawing board.

Mr Ramesh Chauhan saw a niche in soft drinks when Coca-Cola left India in 1977. He stepped into their shoes and created an empire which controls 70 per cent of the Indian cola market, 80 per cent of the lemonade market and 55 per cent of the orange market. Turnover of his secretive and closely held Parle group is estimated to be over Rs2.5bn.

It was not an easy battle. Every bottler in the country as well as a few large business houses started manufacturing their own brands. One by one Mr Chauhan took them on, making his Parle group the winner.

There is no common surefire formula for success. Each has reached the top through personal blends of talent, technique and tenacity.

In the case of the Skypak group, Mr Kulkarni added a new dimension to the courier business: inter-city clearances for the banking sector. A simple idea and highly profitable.

Mr Lall's secret lies in manufacturing bicycles cheaper than the competition. The Munjal group's cost-cutting effectiveness is unparalleled: inventory levels are the lowest in the industry while productivity is among the highest. Along with pared manufacturing costs are low interest costs making the company a high-octane fuel for the group's expansion.

For Mr Chauhan and the Parle group, it is the creation of a loyal and highly motivated network of franchises, a dash of political patronage and marketing know how.

In the case of the Apollo group, it is Dr Reddy's ability to give a practical twist to the Asian tradition of the rich giving almost to the poor enabling him to tap large business houses into providing him with venture capital. At the same time, his willingness to keep nearly 30 per cent of a hospital's capacity for the free treatment of the poorer sections of society has endeared him to the Government – and led to the waiving of import and customs duties for hospital equipment, making healthy bottom lines even sturdier.

Juxtaposed in front of India's older groups, these new groups may be small beer. As they expand their fiefdoms at breath-taking speed, can the youngsters cope with the inevitable problems of transition? Some have had a few hiccups.

Sales of the Munjal group's latest motorcycle have not met targets. Will Dr Reddy be able to raise the Rs4.75bn cash infusion he needs? Once Pepsi-Cola goes into production this summer, will Parle be able to maintain its cool or will it wilt under the US group's blaze? As Skypak diversifies, will Mr Kulkarni be able to organise a manpower structure to cope with managerial requirements?

All four are fearfully conscious of the pitfalls of rapid growth. However, they do enjoy certain advantages. Hard workers, they pay meticulous attention to detail. The Apollo group apart, most of the others are closely held. They do not have to make showy dividend pay-outs and can reinvest profits into the business.

In spite of the doubts, this new tribe of go-getters are going to play large roles in several crucial sectors of the economy over the next few years.

Gita Piramel

K.K. Sharma examines strategies to increase agricultural output

A rural revolution takes shape

AGRICULTURE planners talk of the possibility of "quantum jumps" in production in the next few years, suggesting that another green revolution of the kind that changed the country's agricultural picture in the 1960s is in the offing.

The first "quantum jump" has taken place. Foodgrain production in 1989-90 is estimated at a record 174m tonnes after reaching 172m tonnes in 1988-89. This is a substantial rise from the previous peak of 152.4m tonnes in 1983-84 and shows that the stagnation in production has ended.

A new strategy is being worked out by planners and agriculture officials to raise production further. They expect this will get a fillip from the priority given to agriculture and rural development by the new Government.

That this is to be taken seriously was borne out by the first budget of the Government in which 49 per cent of the total expenditure for development has been earmarked for agriculture. This is in line with the National Front's commitment to allocate at least 50 per cent of the funds to agricultural development.

Planners concede, however, that the increased allocations have been made to existing schemes since the time available to the Government was too short to finalise a new strategy or formulate new schemes. The way for the higher allocations was paved by the previous Government's action plan for foodgrain production worked out in 1988 to tackle the drought of 1987-88, the worst in memory.

The monsoon was unusually good in 1988 and 1989 when production picked up by more than 20 per cent to reach record levels. Since Indian agriculture is dependent on rains, the main ingredient of the action plan is on increasing the country's irrigation potential. The emphasis is on tapping the Indo-Gangetic belt, considered a "huge bowl of underground water."

If plans succeed, 400,000 to 600,000 shallow tubewells will be drilled in this region each year. This has been found to be the most effective way of increasing irrigation in the short term since shallow tubewells are quick-yielding and labour intensive.

Other elements of the action plan include the spread of high-yielding varieties of seeds to more areas through the Government's seed programme that envisages some imports of necessary varieties and an increase in fertiliser consumption through incentives.

Efforts are being made to reclaim saline and waste land so that the total arable area increases. This is paying off. Yet imbalances in Indian agriculture hold up progress in many parts of the country. Low production areas have a high potential but many of them have not been well managed or exploited. More importantly, the rural employment situation has become a matter of serious concern, especially as there is a declining employment potential in better-developed areas.

Officials concede that in spite of the reasonably good agricultural performance, the incomes of large sections of farmers continue to be low and their capacity to invest money and adopt modern science and technology is small. Ironically, it is only because of the low incomes that the country is self-sufficient in food production. Thirty per cent of the population lives below the poverty line. If their purchasing power filled their stomachs, the country would have to import food.

The Government wants to improve the lot of the farmers and the rural poor even though independent economists think this will remain difficult unless the rapid growth of the population is checked.

The Government will need to evolve policies and implement schemes that will generate employment for 15m to 17m people in rural areas. If productivity is to improve and foodgrain output to rise to an average of 7m tonnes (from 3.7m a year) in areas of low production, the Government will need to improve the management of natural resources as well as tackle the problem of declining land holding size.

One of the Government's main policies is to use the instrument of support prices to influence both production and cropping patterns. It plans a national agricultural policy (an industrial policy was implemented in 1952 but India has never adopted an agricultural policy) and remunerative prices for farmers are certain to be a component.

The 1988-89 level of production of 172m tonnes will be used as the base for a 4.4 per cent annual rise over the next five years and 3.5 per cent in the last five years of the century (in place of the existing 2.5 per cent). Should this succeed, annual foodgrain production will be 210m tonnes in 1994-95 rising to 250m tonnes by the end of the century.

The strategy worked out in 1988 remains and there will be continued emphasis on increasing use of fertilisers, high-yielding varieties of seeds, harnessing ground water through tubewells and increased flow of short-term credit.

A related strategy given importance by the previous Government included food-processing industries so that agricultural produce could be used for value addition as well as increase rural employment.

The present Government has not yet given the same emphasis to this and there has been talk of doing away with the new Ministry of Food Processing established by Mr Rajiv Gandhi. This has not been implemented but the attack by some Ministers on the Pepsico project in Punjab, involving establishing of food processing plants partly for export, has raised questions about the Government's intentions.

Ashley Ashwood

Farmer tries to till the dried fields of Chamboda village in Hassanpur

R. C. Murthy looks at capital markets and the banking sector

Still undecided about autonomy

A COMBINATION of events has led to a lull on India's capital market which last year saw activity reach a record Rs79.41bn. Business ebbed in the first quarter of 1990 and no large flotations are expected in the next few weeks.

The National Front administration has proposed reforms to eliminate the distortions seen last year and to enhance investor protection. Norms for fixing premiums for rights issues of equity and convertible debentures have been tightened making many proposals unattractive.

The capital market reform is a sequel to the "November debacle" when several large convertible debenture issues ran into trouble, unable to muster the required investor support following a change in the mood of the market after general elections were called in November and the opposition National Front gained popularity.

The capital market wilted under the weight of six large issues that hit the market in a span of 10 weeks from mid-September. Subscriptions received by four large convertibles launched for a combined Rs24.31bn were frozen by the new administration. State-owned financial institutions intervened at the insistance of the Government to monitor the projects and release cash in phases from the frozen funds.

The volume of under subscriptions to the capital issues became known after several months as merchant bankers who first claimed overwhelming response, started making alternative arrangements to make up for the shortfall.

There were many omissions and commissions by companies at the height of capital market activity between September and November to which the Gandhi administration turned a blind eye but the present Government feels strongly about them.

Deviations from the norm ranged from failure to mention in the prospectus the project for which finance was sought to dropping clauses from the prospectus to refund the subscriptions in case the investor response fell below three-quarters of the capital issue.

The new administration has tightened the capital issue norms. Appraisal by state-owned financial institutions of large projects (investments of more than Rs500m) is mandatory and allotment of shares of debentures cannot be made unless a minimum 90 per cent is received in cash as subscriptions from the public or by way of underwriting.

The capital market is confused over the moves of financial institutions to oust the Ambanis family of Reliance Industries from Larsen and Toubro which came to the Reliance fold two years ago. The Ambanis, which had an excellent rapport with the previous administration, have soured relations with the present regime, which wants to restore the status quo. The incident is expected to cast a shadow on the capital market and only Rs1.02bn has been mobilised in the first quarter of this year.

Analysts say the initiative for the Ambani move came from New Delhi, although it talks of autonomy for financial institutions. The Gandhi administration never recognised autonomy, whose restoration would probably be after clearing what the Government considers to be the Augean stables at Larsen and Toubro. If there is a change of guard at New Delhi before the clearing operation is finished, the autonomy of the financial institutions will be a casualty.

The capital market has been enlarged by the introduction of commercial paper, a new short-term savings instrument, early this year. With the successful test marketing of commercial papers by some leading companies the terms are being liberalised to allow other companies to enter the market.

The funds generated through commercial paper issues are not additional to what commercial banks give as working capital to companies. The stipulation of the Reserve Bank of India, the central bank, is that banks should cut working capital credit corresponding to commercial paper issue.

Companies have an incentive to launch commercial paper, whose cost is 14.5-15 per cent against a minimum 16 per cent charged by commercial banks. The success of commercial paper would result in erosion of the low profitability of banks. Only 15 per cent of the Rs920bn-worth of bank loans is lent profitably. The loss of blue-chip business would aggravate their problems.

The World Bank, in a classified report, is said to have warned the Indian Government of a danger to the banking system unless commercial banks are allowed to earn enough to build reserves after providing fully for bad debts.

Most banks are making losses but their balance sheets are window-dressed. The poor profits arise from the pattern of resources deployment, which includes the investment of 40 per cent of the Rs1,620bn-worth of deposits in low-yielding government securities. Of the Rs965bn loan portfolio, 40 per cent is earmarked for agriculture and sections of society identified by the Government, such as small businesses, at subsidised interest rates.

The banking system, comprising the State Bank of India and 22 state-owned banks, has another large problem. The National Front government has to set aside a staggering Rs140bn to fulfil its poll pledge to write off small bank loans of up to Rs.10,000 made to farmers and other rural people.

The administration diluted the pledge by providing Rs10bn in this year's budget and making ineligible the so-called willful defaulters from loan write-off. Moves are a foot to scrap bank secrecy legislation and make balance sheets of banks more transparent. The administration has strengthened the capital structure of banks to provide a cushion for the mounting bad debts and prepare them for enhanced competition from foreign banks in the next decade when the services sector is to be opened.

PROFILE: Unit Trust of India

The leader that turned follower

UNIT TRUST of India, the country's top savings institution with investments exceeding Rs150bn has reached its zenith, catapulted by Mr Manohar Pherwani, who was its chairman until March 30.

Mr Pherwani was asked to quit the job for his alleged role in facilitating the takeover of Larsen and Toubro, a leading engineering company, by Reliance Industries, headed by Mr Dhirubhai Ambani, two years ago with the blessings of the Rajiv Gandhi administration.

UTI sold 3.9m Larsen shares to Reliance, which gave a foothold to the Ambanis family. The unit trust dominates the mutual funds scene, all of which are state-owned, and efforts by the private sector to break in have not succeeded. The new administration may not come to grips with the issue for quite some time.

UTI was content with double digit growth until Mr Pherwani became chairman six years ago. He introduced more than a score of savings schemes to meet the needs of a wide spectrum of investors.

The engine for UTI growth was income-tax concessions. Unit sales trebled in two years to Rs87.6bn for the year ended June 1989 and are expected to reach Rs100bn this year. Total investible funds of the unit trust should reach Rs150bn.

Three years ago UTI launched, with Merrill Lynch, the India Fund, a Guernsey-based sterling-denominated fund to attract expatriate Indian money. It now has a premium on the London stock exchange. Then came the Indian Growth Fund in the US.

Mr Pherwani says that success lies in offering a product that investors want. The flotation of Master Share, a growth-oriented mutual fund, three years ago attracted overwhelming response – Rs2.5bn in subscriptions for an issue expected to mobilise Rs500m.

The new chairman of UTI is Dr S.A. Dave, who continues to hold dual charge of the Securities and Exchange Board of India, the counterpart of the Securities and Exchange Commission in the US. But it is yet to get legal recognition although legislation to achieve this is to be introduced in the current session of parliament.

The rapid growth UTI is a matter of envy for many state-owned institutions. But for the changes in the income-tax laws, which places other mutual funds on a par with UTI, the growth rate would have continued to outstrip the Life Insurance Corporation, the state-owned life insurance monopoly that began a decade before UTI.

Analysts say the days ahead are crucial for UTI. SBI Capital Markets and Canbank Financial Services, subsidiaries of state-owned commercial banks, launched mutual funds last year and Life Insurance Corporation has entered the fray.

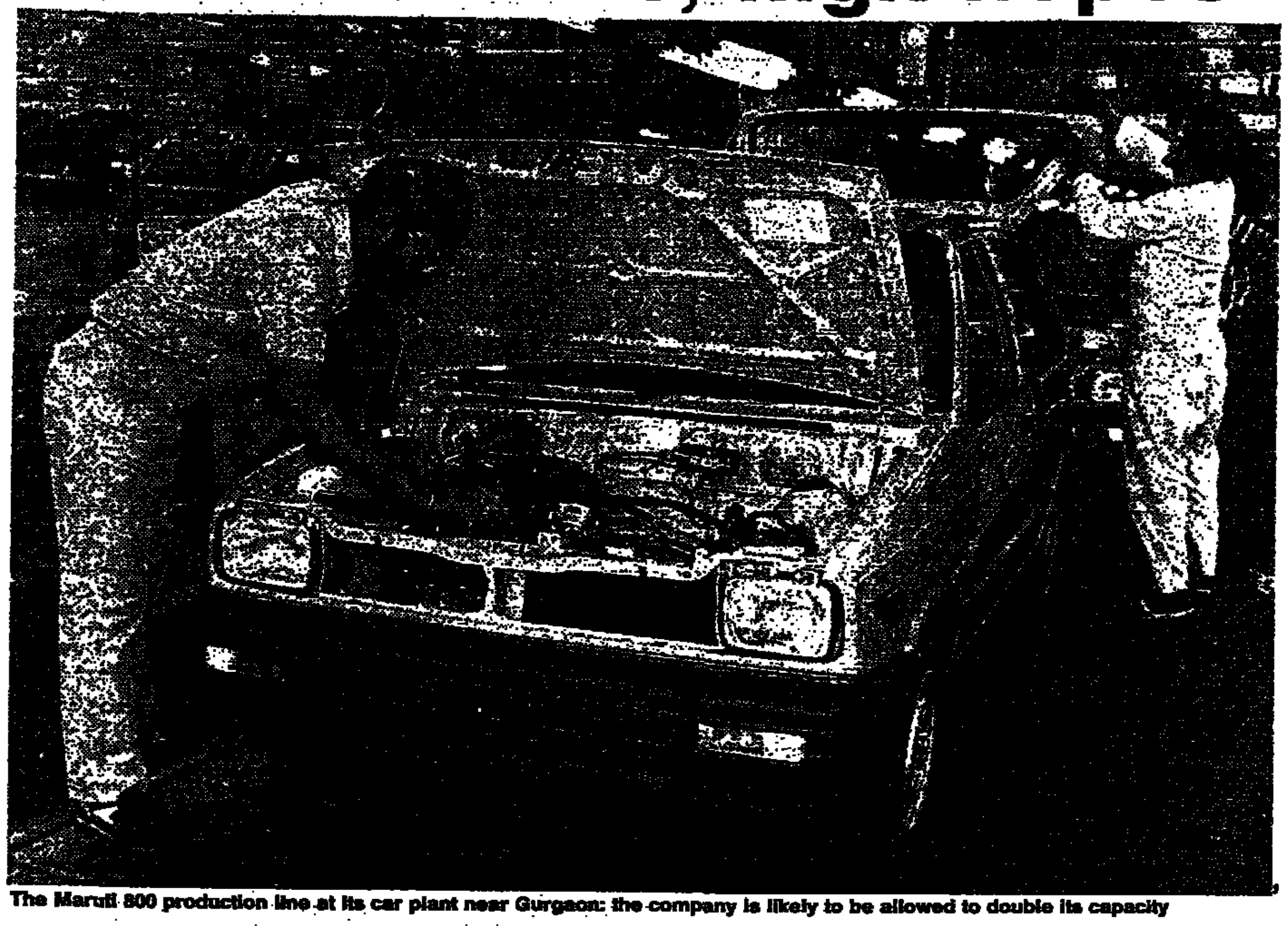
At least two other commercial banks – Bank of India and Bank of Baroda – and the General Insurance Corporation of India are to launch mutual funds over the next few weeks with others in the pipeline.

The growth of mutual funds has broken the UTI monopoly and the age of income-tax rebate is gone, offering several alternatives to investors. The Government's budget for the current fiscal year has diluted the income-tax concessions to corporate investors as well making UTI's main savings scheme less attractive.

UTI will be a low-profile group, and is expected to be a follower rather than a leader. It is to abandon the policy of active market intervention but will continue to expand its overseas operations to bring in foreign investment, which is preferred to foreign currency loans. But the competition at home is expected to intensify.

The car industry is trying to expand, says **David Housego**

Low volumes, high hopes



The Maruti 800 production line at its car plant near Gurgaon: the company is likely to be allowed to double its capacity

INDIAN motorists are enjoying some of the benefits of more internal competition within the domestic automobile industry. But the sector still remains a monument to the errors of the import substitution policies that India is abandoning.

Volumes are low; total production of the three producers is no more than 160,000 units per year. Economies of scale are difficult to achieve while the components industry is small and insufficiently attentive to quality.

Protection is high – the duty on imported cars is between 250-350 per cent. On domestically produced cars, taxes account for between 40-70 per cent of the retail price which means that a car is still a luxury product. The price of the Maruti 1000cc, based on the Suzuki Esteem and to be launched in October, is Rs320,000 ($18,800).

Purchasers anxious to jump the queue and obtain early delivery could expect to pay a black market premium of Rs100,000.

The industry had feared that the new Government would place further restrictions on its expansion. The automobile sectors' import of components was restricted by 15 per cent this year as a way of accelerating indigenous production. But the fears proved largely unfounded with the Government giving the go-ahead in what was seen as a test case for Maruti to produce its 1000cc version.

Maruti seems likely to be allowed to double its capacity – in what will be its largest investment to date – to 250,000. But while India's two-wheeler industry of scooters and motorbikes is increasingly internationally competitive, the car industry remains largely outside the global production chain.

India's engineering industry has failed to reap the advantages in terms of cost, quality and foreign exchange earnings that come from "sourcing" components or finished products for global producers.

Manufacturers are making some changes. Hindustan Motors (which last year produced 29,326 cars) is updating the Ambassador, the Indian version of the Morris Oxford, which has remained unchanged for over 40 years.

A luxury version of the Ambassador with improved dashboard, upholstery and other features, named the Regent, is being brought out in October. The Ambassador is being given improved steering and suspension. A new engine, which Ricardo of the UK has designed to give 20 per cent more fuel efficiency and power, will be fitted from the middle of next year. The climax of these changes is to be a remodelling of the exterior of the Ambassador to dispel its antique appearance.

At the upper end of the market, Hindustan Motors has introduced the Contessa, a 1800cc saloon. It currently produces up to 5,000 a year and hopes to expand to 10,000 over the next three years.

Hindustan Motors has made losses of more than Rs90m over the last two years, with the automobile division a large contributor, but it believes it is turning the corner with its wider range of models and improved performance. Output has remained stagnant at 25,000-30,000 units for the last few years. Mr S.L. Bhatter, president of the company which is part of the C.K. Birla group, sees it increasing by 8-10 per cent a year.

Installed capacity is about 60,000. Production was hit last year by shortages of parts for the Contessa and by delays in deliveries of imported steel.

Maruti (output 117,000 units a year), the company started by Mr Sanjay Gandhi, younger son of the former Prime Minister in which Suzuki of Japan has a 40 per cent stake, wants to double annual capacity to 250,000 units. It has discussed its Rs3.5bn expansion plan with the Government which seems ready to accept it if the company covers its foreign exchange costs.

To build up its foreign exchange earnings, Maruti has been selling its 800cc car – based on an older version of the Suzuki Alto – in France through Chardonnet, the French distributors. Since December it has exported 2,800 cars to France where it has gained a good reception.

Maruti estimates that its foreign exchange earnings will climb from $22m this year to between $40m-60m in 1990-1991. Maruti, as a state-owned producer, has no competitor for its popular 800cc car. It is the only producer allowed to attack the middle range market with what amounts to a Japanese vehicle – the Suzuki Esteem.

Maruti plans to manufacture 25,000 of these in the first 12 months. More than 250,000 people each paid a deposit of Rs100,000 to obtain a place in the queue – meaning the vehicle was 10 times oversubscribed even though the high level of demand reflected a good deal of speculation.

If it can double its output to 250,000 Maruti believes it can obtain better quality and lower costs from its component suppliers. One of Maruti's problems has been that they have been unwilling to make the necessary investments on the basis of Maruti's current output.

Production at Maruti's plant outside Delhi has suffered both from shortages of deliveries and defects in components.

Premier Automobiles, India's third large car manufacturer has been making substantial investments and seen its share of the car market climbing at the expense of Hindustan Motors. It had an output of 42,000 units last year and it made 44 per cent more cars than Hindustan Motors. This compared with a 20 per cent lead five years ago.

Premier's market lies between the Maruti 800 and the Ambassador which sells mainly as an official car or a taxi. It has updated its basic Padmini model and added a host of new features. It also introduced in 1986 the 118E with a Nissan engine – which will face competition from the Maruti 1000cc.

Premier is upgrading its manufacturing facilities and introducing a new high speed diesel engine developed by Frateli Negri Machines, the Italian company, for use mainly by taxis. It is also planning to expand output on the assumption that it can fight Maruti's challenge while gaining ground from Hindustan Motors.

PROFILE: Garment exporter

Money in fashion

MR A.K. Puri, the portly chairman of the flourishing Mohan Exports of New Delhi, has not looked back since a trip to Australia in 1972.

He had been making ready-made garments for India with annual sales worth a mere Rs30,000 but on his first Australian sales trip he won orders for Rs10m. He decided then that his future lay in exports rather than in domestic sales.

He established Mohan Exports and steadily built up the company until it is now one of the three largest garments manufacturer-exporters in India. The company's garments exports last year were worth a record Rs160m.

Mohan Exports sells ready-made fashion and industrial garments not only to Australia but also to the US, European countries and those in the Middle East. Mr Puri's business expanded so fast that he brought in his brothers to help him. Together, they run a factory equipped with modern machines in New Delhi's Okhla Industrial Estate that employs 600 workers.

Some 50 other smaller factories owned by others carry out orders for Mohan Exports under close supervision of its quality controllers. The company is now building its second large factory in Bangalore in the south Indian state of Karnataka and has plans to expand further. So profitable has the garments exports business been for Mr Puri that he has now diversified his business and set up four other divisions for engineering and other exports. Clearly, Mr Puri is now in the big league and has plans for further expansion.

Mohan Exports is one of *India's largest garments* exporters. The industry is estimated to have earned Rs24bn in foreign exchange in 1989-90. It consists of about 8,000 other small and large manufacturer-exporters who also deal in the country's fastest-growing exports – many of them using antiquated pedal sewing machines.

Such is the rise in garments exports that the Apparel Export Promotion Council expects foreign exchange earnings to reach Rs38.13bn in 1990-91, Rs 46.9bn in 1991-92, Rs 57.69bn in 1992-93, Rs 70.96bn in 1993-94 and as much as Rs87.28bn in 1994-95, the last year of India's eighth Five Year Plan.

Much will, of course, depend on the quotas available under the Multi-Fibre Agreement (MFA) being negotiated because the bulk of the exports are to countries which have fixed quotas for such imports.

This means that any substantial hike in exports can be achieved only after either the textile trade reverts to the mainstream of the General Agreement on Tariffs and Trade (GATT) system or when a more liberal framework is available with the renewal of the MFA.

Mr Puri is fed up with quotas and strongly recommends that the Indian Government should use its bargaining position arising out of large engineering and other imports from the US and Europe to extract larger quotas. "We *keep having orders cancelled* simply because no quotas are available," he complains.

Mohan Exports has found it has had to diversify into industrial garments like overalls and uniforms to keep its factories fully employed.

Industrial garments are in demand in non-quota countries (Mr Puri's main customers are in the Middle East) as well as quota countries. Industrial garments can also take advantage of economies of scale unlike fashion garments which are *made in much smaller* quantities.

Yet Mohan Exports main exports remain fashion garments which account for 75 per cent of its turnover. Mr Puri thinks that relatively bigger companies such as his have a distinct advantage over India's thousands of smaller units since they can afford to have their own design office that "enables us to remain ahead all the time. We have American, French, German and Italian designers who are always bringing out something new in designs and colours."

Mr Puri agrees that India has cashed in on the cotton look in the world but its main advantage lies in its cheap labour. "I pay no more than £30 a month to my workers and can make a blouse that can sell for £3. Western labour costs are so high that they cannot compete with us," he says.

He is strongly of the view that the West should bow out of the textile business altogether and *leave it to their* more competitive rivals in the Third World. Mr Puri, like the Apparel Export Promotion Council, feels that India must start using blended fabrics and not just cotton if its garments exports are to grow faster.

For this, he wants textile mills to modernise quickly since the quality of the yarn they supply is not good enough. Mr Puri feels that the entire textile industry needs to be modernised with government help if India is to cash in on the *popularity of clothing.*

"It must give financial assistance, provide duty free raw materials and other incentives so that the synthetic yarn is provided at internationally competitive prices", Mr Puri says.

The Apparel Export Promotion Council endorses these views. It feels government help is essential if the full potential of the garments industry is to be realised. It says some basic requirements are diversification of the fabric base, strengthening of manufacturing facilities, promoting manpower development and training and providing fiscal incentives and infrastructural support.

Mr Puri is strongly of the view that India should rely increasingly on larger companies such as Mohan Exports rather than on thousands of units based on obsolete pedal sewing machines. There is also scope for diversification.

K.K. Sharma

PETROCHEMICALS

Held back by indecision

PROGRESS IN the industry seems to be on hold; some 40 years after the Government announced that India would build large complexes in different parts of the country, development has moved at a snail's pace.

In 1948, the Government's industrial policy resolution stressed that mineral oil would be a "first category industry." Since then 12 refineries with a total capacity of 45.4m tonnes per annum (mtpa) have been built but it remains insufficient to bridge the gap between demand and supply.

India imports one third of her requirements of petroleum products at a cost of Rs42.45bn, largely because of a lack of refining capacity. The situation in the fertiliser industry is somewhat better but is not near fixed targets.

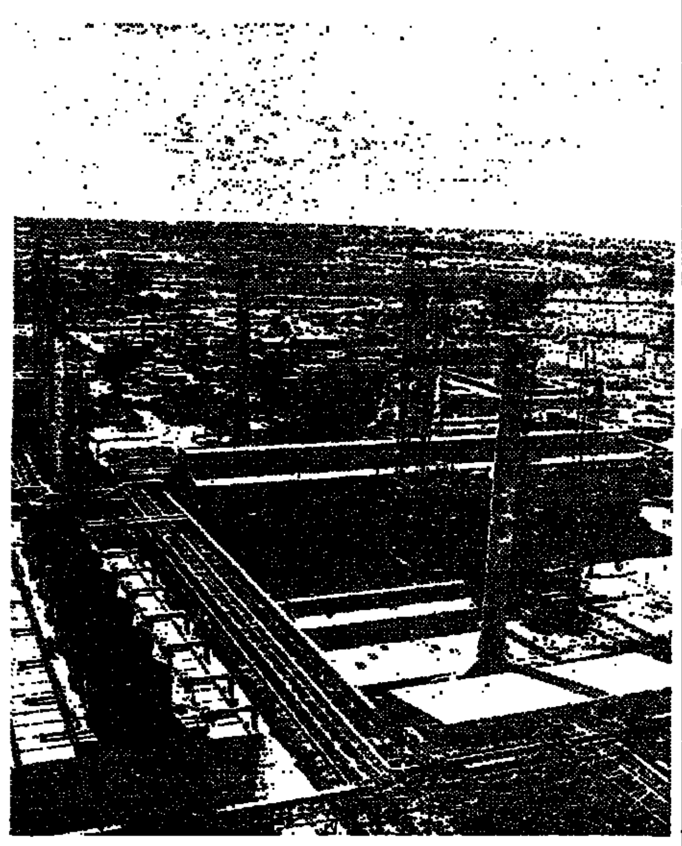
Of the six 726,000 tonnes per annum (tpa) fertiliser plants planned alongside the 1,730km Hazira-Bijaipur-Jagdishpur (HBJ) gas pipeline, only three have gone into commercial production.

The HBJ pipeline which snakes its way through four states, for example, was built to distribute 29m cubic metres of gas to eight fertiliser plants, four power plants, a large petrochemical complex, and a liquid petroleum gas bottling plant.

It was commissioned in mid-1988 but only three fertiliser plants and one power plant are using the gas from the pipeline. The other facilities have not yet been built.

At Nagothane (Maharashtra), the opposite is true. The plant is ready but not the pipeline. Construction of the Rs13.9bn Maharashtra complex is complete but unaccountable delays are stalling its commissioning by over a year.

Such dilatory and erratic growth in petrochemical production is inevitably translating into unsatisfied domestic demand which has to be met by imports.



Fertiliser plant at Kanpur, Uttar Pradesh

India is importing some 400,000 tpa of various polymers or almost 50 per cent of her requirements. Given India's balance of payments problems, such imports are ill-affordable. At the same time, available resources are being wasted. At Assam, gas has been flared since 1966. The Department of Petroleum reluctantly acknowledged that nearly 38 per cent of India's production of gas is flared annually.

Mr M.S. Gurupadaswamy, the new union Minister for Petroleum and Chemicals, is quick to defend the national front administration. "This Government is extremely concerned about the flaring of gas. We are giving top priority to developing uses for the gas," he says.

As the debate continues on how India should use her oil and gas resources, plans for various complexes gather dust, while costs rise. A case in point is Nocil, a part of the highly-diversified Rs10.6bn Arvind Mafatlal group. In 1986, the Bombay-based ethylene manufacturer applied for government permission to expand its naphtha cracker from 75,000 tpa to 300,000 tpa. More than three years later, one branch of the Government allotted Nocil a letter of intent but another branch withheld environmental clearances.

The Nocil case is a classic example of the malaise which dogs the Indian petrochemical industry. A large cause of delays is lobbying and counter-lobbying by the private sector which has suddenly discovered that the petrochemical industry is profitable.

As one after another of the existing petrochemical companies announced good results, many industrialists started lobbying for a licence.

By late 1986 the great race for the allotment of naphtha crackers along with their downstream units had begun.

In October 1989, it appeared as if the race had been run. As Mr Rajiv Gandhi, the former Prime Minister, layed foundation stones, the winners appeared to be Indian Petrochemicals and Gas Authority of India from the public sector, and Mr Dhirubhai Ambani, Mr R.P. Goenka and Mr Vijaymallya in the private sector.

Post-election events however have shown how *realpolitik* can re-arrange the best laid plans of politicians, civil servants and industrialists. Overnight, yesterday's approvals became today's snubs and no-one is quite sure what is going to happen in the Indian petrochemical industry over the next few months.

The only certainty is that change is inevitable and the remodeling process is already evident. Mr R.P. Goenka, a former winner, had to surrender his letter of intent for the important Haldia petrochemicals to Mr Darbari Seth of the Tata group.

Mr C.K. Birla, a former loser, now possesses a potentially profitable letter of intent for downstream facilities at the Auraiya complex (Uttar Pradesh). But will the private sector be able to put up these large complexes? And will it be able to meet the primary constraint of finance?

Raising rupee funds in India's discerning capital markets will be difficult given the long gestation period of petrochemical complexes and the impossibility of assuring quick returns to investors.

Success will depend somewhat on the Indian promoter's ability to attract an established and reliable foreign collaborator who can bring in the technology and help arrange the foreign component of the project's investment requirements.

Hampered by its own financial crunch, the public sector has no option but to rely on the private sector.

It may well be another few years before the lights turn green for the petrochemical industry.

Gita Piramel

Major calls for restraint at EC farm price talks

By Tim Dickson in Brussels

MR JOHN MAJOR, the British Chancellor of the Exchequer, yesterday urged his fellow Finance Ministers to put the brakes on accelerating European Community farm spending.

His plea for restraint – made in Luxembourg at a routine Council of Ministers meeting – demonstrated the depth of Britain's concern that some member states were now trying to loosen the price disciplines painfully imposed on the Common Agricultural Policy in early 1988.

The involvement of senior British Ministers in the EC farm debate was routine during the budget crises of the mid 1980s – but it is something that has not happened in recent years.

Mr Major's remarks – which were welcomed by the European Commission – are intended to influence EC Farm Ministers who gather tomorrow in another attempt to reach a compromise on this year's price proposals. Last month's meeting was abandoned after three days of negotiations failed to find an agreement and amid signs that several countries were determined to win further concessions for their producers.

The British Chancellor pointed out that as far as Britain was concerned the final package offered by the Commission – involving spending an extra Ecu1bn (£740m) in 1991 – was already quite generous enough. It added, he claims, an extra Ecu600m to what was originally proposed in the Brussels package.

EC Finance Ministers, he added, should not only be concerned at the budgetary impact of any further spending on the sector, they should bear in mind that this will send the wrong signals to EC farmers.

On the issue of the CAP stabilisers, set in place in 1988, Mr Major gave strong backing to the arguments of Mr Raymond MacSharry, the EC Farm Commissioner. Mr MacSharry has insisted that any cuts in the co-responsibility levy (or production tax) on cereal producers should be offset by equivalent reductions in the level of guaranteed prices.

His final point underlined the importance of the current international trade negotiations known as the Uruguay Round, especially those that relate to agriculture. Mr Major reminded his colleagues that the Community's position was for a short-term freeze on price support followed by a "substantive and progressive" reduction in agricultural subsidies. He said that the EC would be undermined if anything was done to reduce the impact of the stabiliser price cuts and wondered how the the EC's international trading partners would reconcile the EC's negotiating position with the spending of an additional Ecu1bn in 1991.

● The US and the European Community agreed to hold meetings of farm officials every two weeks from now on to narrow their differences over agricultural trade reform in the context of the Uruguay Round of the General Agreement on Tariffs and Trade, Mr Clayton Yeutter, the US Agriculture Secretary said yesterday, reports Reuter from Washington.

The agreement to hold the meetings was reached at a discussion between Mr Yeutter, Ms Carla Hills, the Trade Representative, and visiting senior EC officials.

He said the working level meetings would be held from now until the end of the Uruguay Round in December.

Pork belly prices rise sharply in Chicago

By Barbara Durr in Chicago

THE PRICES of pork bellies rose substantially yesterday morning on the Chicago Mercantile Exchange as traders adjusted to tighter supplies. Belly prices hit their 200 point daily movement limit in early trading for the May and July contracts, which both rose to 64.32 cents a lb.

The market's bullishness stemmed from a cold storage report by the US Department of Agriculture released after the close of trade last Friday. The report said that as of March 31 there were 97.53m lb of bellies in cold storage, whereas analysts predictions had averaged about 100.4m lb.

"The numbers were much lower than what the trade was looking for," said Mr Bob Price, a livestock analyst with Cargill Investor Services.

While it was unclear whether bellies would remain at their trading limit or come down later in the day, it was expected that they would show a good gain.

The strength of pork bellies also pulled up live hog prices by 60 to 70 points in a largely technical rally. The rise was also in part a reflection of the cash market, where the three largest packers, trying to keep their excess kill capacity from growing, were competing for hogs. Processors were paying up to a dollar more a cwt.

Slaughter levels are lower this year. Figures for last week showed hog slaughterings down 12.5 per cent compared with a year ago.

"There's lots of strong user interest and it's a pretty good hedge," said Mr Dale Benson, a livestock analyst with Dean Witter Reynolds. "Tremendous export demand" for pork was tightening supplies and higher cattle prices was also a contributing factor.

Near record high cattle prices last week were also related to good export demand during the first quarter, according to Mr Benson. But cattle prices were expected to edge lower following another USDA report last Friday that said the number of cattle in 13 key states on feedlots was 10.1m, the highest level since 1978.

The number of young cattle placed on feedlots in seven major ranch states fell just 4 per cent in March compared with a year ago instead of the 10 per cent drop that the market had anticipated.

Analysts expected hog and pork belly prices to continue to move up because slaughter levels would continue to be light. Mr Price said, "Hog inventories are down and we don't see any sign of them coming back up soon."

Healthier outlook for flax growers

Bernard Simon on the latest beneficiaries of green consumerism

FLAX FARMERS on the Canadian prairies are crossing fingers that they will be next to benefit in a big way from the growing consumer concern about health and the environment.

Used in its long-fibre form for linen and as a short fibre for flaxseed or linseed oil, flax is staging a remarkable comeback, which ranges from the growing popularity of linoleum floor coverings to research into its nutritional qualities.

Last week BASF, the German chemicals group, unveiled a new printing ink which replaces part of the traditional petroleum distillate content with more environmentally acceptable linseed oil. And Cargill, the US agri-business group, is about to launch a new coatings product with a substantial linseed oil content.

All this activity is especially good news for farmers on the Canadian prairies. With an average crop of 758,000 tonnes between 1984 and 1988, Canada is by far the world's biggest producer of short-fibre flax, accounting for about half of total world exports. According to Statistics Canada, drought forced production down to 373,000 tonnes in the season to July 31, 1989. But Mr Garvin Hanley, chairman of the Flax Council of Canada and himself a flax farmer in Saskatchewan, predicts an increase of more than a third in next month's spring plantings to about 2.2m acres.

Expectations of a bigger crop this year are reflected in a sharp fall in forward prices to about C$300 (£160m) a tonne for October delivery, compared with the present spot price of about C$400 a tonne.

If the rosy predictions of some of those in the industry come true flax could be one of the stars of soft commodity markets in the 1990s. "We see farm-gate prices being quite good next year," Mr Hanley says.

On the other hand, the number of growers also appears to be increasing, and not only because of its expanding end-uses. Flax has gained recognition as a good rotational crop, especially in the light of the diseases and weed problems which have plagued rapeseed production recently. Mr Hanley notes that "rather than quit oilseeds, many farmers have turned to flaxseed for a year or two to try and break the disease cycle."

For the time being, flax's advance is tied most closely to the recent revival of linoleum flooring, which not long ago was derided as the cheap and ugly predecessor of vinyl and ceramic tiles. Mr David Muncey, linoleum marketing manager at Forbo Nairn in Kirkcaldy, Scotland, forecasts that demand for linoleum will double over the next decade from the present market of 20m to 22m sq ft a year. Sales are already roughly twice the level to which they sank at the nadir of the market in the late 1970s.

Forbo Nairn is one of a handful of linoleum flooring producers – and the only one in Britain – to survive the shake-out of the 1970s. The other two major producers are The Netherlands' Forbo-Krommenie and DLW of West Germany.

One sign of the stigma that used to be attached to linoleum is that the Scottish and Dutch companies' parent, Forbo of Switzerland, changed its name from Continental Linoleum Union. DLW used to be known by its full name, Deutsche Linoleum-Werke. One Scot remembers being told by her parents on train trips in the 1950s to close the window whenever the train passed the foul-smelling plant at Kirkcaldy.

"We're still minnows compared to the world vinyl and carpet industries," Mr Muncey says. But he adds that "we're becoming a significant consumer of linseed oil."

Mr Muncey says that the most promising markets for linoleum are in environmentally conscious societies like The Netherlands, Scandinavia and West Germany. Several hospitals in these countries, as well as Canada, have installed linoleum flooring.

"In the US, you have to build the market from scratch, whereas in Europe you have a base you can build on," he notes.

On the nutritional front, the revival of flax has so far been more tentative as scientists at universities in Canada and the US await results of several experiments now under way. What has been discovered so far is that flaxseed oil is a rich plant source of Omega 3 fatty acids, which appears to give it some of the blood-fat lowering properties of fish. As a soluble fibre, flax also appears to slow down digestion of carbohydrates. But the tangible benefits, if any, have yet to be determined.

"We don't have enough hard data to go on, beyond saying that flax in general does the same thing as oat bran," says Dr Stephen Cunnane, assistant professor of nutritional sciences at the University of Toronto. He adds that a four-week study he has just completed on people with high blood-fat levels was inconclusive. Another project will be started within the next few months.

Researchers at North Dakota State University are about halfway through a similar project to determine the effects of the Omega 3 fatty acids in flaxseed on about 45 people who are fed freshly-ground flaxseed in muffins.

"Flax needs a little more marketing, and we're trying to get some science into the marketing," Dr Cunnane says. One of these putting marketing before science is a baker in Wisconsin, who adds brown, ground flaxseeds to many of the products which he distributes to several hundred retail outlets.

Sweden plans reform cushion

By Robert Taylor in Stockholm

THE SWEDISH Government plans to provide SKr13.6bn (£1.35bn) in financial aid for the country's farmers to ease their adjustment to the deregulation of agricultural prices. Deregulation is due to begin on July 1 next year and the aid will be available over the five-year transition period.

The latest change, which will end the system of export subsidies for disposing of Sweden's agricultural surpluses, is part of a wider government strategy to discourage over-production. It is estimated that 500,000 hectares will be taken out of production as a result of the planned reform out of the total of 2.9m hectares covered by arable land.

The Ministry of Agriculture said that the main impact of the proposed changes would be to make Swedish agriculture much more sensitive to consumer demand and to help in reducing the cost of food, which remains among the highest in the industrialised world.

"Consumer choice will determine production," said Mr Matts Helstrom, the Agriculture Minister, yesterday. But he added: "I cannot guarantee food will become cheaper."

Ministers believe that in future food prices will not have to rise any faster than other goods and services, but the Government has no plans at the moment to abolish the existing import levy system, so it seems unlikely there will be any substantial drop in food costs. During the past decade food prices have risen much faster in Sweden than in other countries and about 20 per cent of the total Swedish household budget now goes on food.

Matts Hellstrom: "I cannot guarantee food will become cheaper"

The Government has admitted that in the short term the new policy will reduce the income of cereal producers as production is brought more into balance with demand. It is also estimated that there will be a cut of about 12,000 in the 100,000-strong farming community – but the Ministry of Agriculture says it believes this can be compensated for by the creation of alternative forms of employment in the countryside as a result of a more dynamic regional policy and the encouragement of new forms of energy, such as those based on biotechnology, as well as other environmental protection measures.

Over the past few weeks the ruling Social Democrats have sought to achieve a broad political consensus for their new agricultural policy. But yesterday the country's influential farmers' lobby reacted angrily to the proposals and promised to fight strongly against changes.

However, the Social Democrats are determined to begin the phased withdrawal of the system of income support and price regulation that has underpinned Swedish agriculture since the 1930s.

The Ministry of Agriculture said yesterday that the proposed reforms were heavily influenced by demands for liberalisation from the General Agreement on Tariffs and Trade in the present Uruguay round and discussions between the European Community and the European Free Trade Association.

Set-aside seen having limited impact

By Bridget Bloom, Agriculture Correspondent

THE EUROPEAN Community's scheme to take land out of cereal production is unlikely to cut estimated total output of 170m tonnes this year by more than 1m tonnes, Agra Europe, the independent Brussels-based weekly believes.

According to recent provisional figures from the Commission, fewer than 500,000 hectares have been taken out of production under the set-aside scheme which pays farmers to leave land fallow for five years.

On the Commission's assumption that only the most marginal land has been put into the scheme, and that yields would therefore be only two tonnes a hectare, the scheme will have a negligible effect on this year's harvest, Agra Europe says.

Set-aside was introduced last year in an effort to cut back cereal surpluses. West Germany – which pays farmers the highest premiums – accounts for just under 50 per cent of the total land removed from cultivation with Britain's 110,000 hectares accounting for just over a fifth. Italy (91,600 ha) Spain (34,200 ha) and France (15,700 ha) follow. Greece has not submited figures while Denmark has so far failed to get parliamentary approval for the scheme.

● Britain has protested to the Soviet Union over Moscow's decision to prohibit imports from Britain of live cattle, sheep, goats, bovine semen and embryos as well as all beef and sheepmeat and milk products.

The ban, believed to have taken effect late last month, stemmed from the prevalence in the UK of bovine spongiform encephalopathy, or "mad cow disease", Ministry of Agriculture officials said.

Officials said trade with the Soviet Union in the affected products was small, but Mr Keith Meldrum, the chief veterinary officer, had written to his Soviet counterpart protesting about the ban.

Return of tight aluminium market forecast

By Kenneth Gooding, Mining Correspondent

IT WOULD not take a very marked acceleration in demand for primary aluminium to bring about a return to tight market conditions, says the Anthony Bird consultancy organisation in its latest Aluminium Analysis report.

"We expect this will indeed happen in 1991-92," it adds, because stocks are low and production capacity utilisation rates are only slightly below their peak.

Bird forecasts that primary aluminium consumption this year will increase by only 1 per cent to 14.64m tonnes compared with growth of more than 4 per cent in 1989. Production will keep pace with a 1.2 per cent increase to 14.273m tonnes following a 4.1 per cent rise in 1989.

Next year consumption is forecast to grow by a further 4.8 per cent while production is expected to advance by only 2.7 per cent.

Bird says that, given stable exchange rates, the average Metals Week price of aluminium this year will be 73.4 cents a lb compared with 92.4 cents last year. In 1991 the price is forecast to average 82 cents a lb, rising to 91.2 cents in 1992.

Aluminium Analysis: quarterly. £430 a year from Bird Associates, 193 Richmond Road, Kingston upon Thames, Surrey, KT2 5DD.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	+3,775	to 138,650
Copper	+12,325	to 66,900
Lead	+1,575	to 32,300
Nickel	+720	to 6,756
Zinc	−1,975	to 43,975
Tin	+805	to 11,860

WORLD COMMODITIES PRICES

MARKET REPORT

CRUDE OIL prices in Europe and the US rose yesterday as modest short-covering emerged ahead of next week's Opec meeting. Traders also cited market nervousness after the failed coup in Nigeria. News of the coup boosted London cocoa prices in early trading, but London followed New York down in the afternoon. However, London traders said industry was underpinning the market and prices were expected to rise again if fresh fundamentals emerged to support bullish sentiment. On the LME copper rose by 12,325 tonnes to 66,900 tonnes – but the increase was widely expected and the prices closed fairly steady. On Comex, May copper fell through 112 cents a lb early on, but by midsession had recovered. "I still wouldn't rule out the possibility of bouncing back up to 115 or 116 to redefine the uptrend," said one trader. LME nickel prices moved ahead on short-covering, with the premium for cash metal widening to $362.50 from $187.50 a tonne on Friday. In New York, orange juice futures were in sharp retreat in early trading on heavy commission house and speculative selling. The spot price fell below the key support level of 190 cents a lb.

Compiled from Reuter

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.95-5.05x	+0.55
Brent Blend	$17.75-7.80x	+0.65
W.T.I. (1 pm est)	$19.45-9.46x	+0.75
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$215-217	+1
Gas Oil	$160-161	+1
Heavy Fuel Oil	$81-83	+4
Naphtha	$165-167	
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$375.00	+0.75
Silver (per troy oz)♣	509c	+3
Platinum (per troy oz)	$483.0	+0.6
Palladium (per troy oz)	$127.50	-0.85
Aluminium (free market)	$1535	+5
Copper (US Producer)	124c	
Lead (US Producer)	50c	
Nickel (free market)	410c	+5
Tin (Kuala Lumpur market)	17.31r	-0.15
Tin (New York)	301c	-4
Zinc (US Prime Western)	83c	
Cattle (live weight)†	112.31p	-2.34*
Sheep (dead weight)†	237.27p	-20.6*
Pigs (live weight)†	100.99p	+0.73*
London daily sugar (raw)	$368.0t	+2.8
London daily sugar (white)	$446.0t	
Tate and Lyle export price	£340.5	+2.5
Barley (English feed)	£107.75	-0.75
Maize (US No. 3 yellow)	£138t	
Wheat (US Dark Northern)	£119y	
Rubber (May)♥	58.25p	+0.25
Rubber (Jun)♥	55.75p	+0.25
Rubber (KL RSS No 1 May)	230.0m	+0.5
Coconut oil (Philippines)§	$345.0z	+2.5
Palm Oil (Malaysian)§	$255.0	+5.0
Copra (Philippines)§	$230.0y	-2.5
Soyabeans (US)	167.5	
Cotton "A" index	83.20c	+0.45
Wooltops (64s Super)	562p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Jun. t-May/Jun. u-Aug. v-Apr/Jun. w-Apr/May. z-Jun/Jul y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	337.80	338.80	339.00 337.00
Aug	345.00	346.00	346.00 344.20
Oct	339.20	340.20	340.60 338.00
Mar	314.60	317.00	315.00 314.00
Aug	313.00	315.00	312.60
White	**Close**	**Previous**	**High/Low**
Aug	439.5	441.0	440.0 438.0
Oct	408.5	410.0	410.0 408.0
Dec	397.0	398.5	397.5 396.5
Mar	394.6	395.5	395.0 394.0
May	392.1		392.0

Turnover: Raw 1853 (2844)lots of 50 tonnes. White 487 (761)
Paris- White (FFr per tonne): Aug 2505, Oct 2342, Dec 2277, Mar 2276, May 2270

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jun	17.70	17.25	17.79 17.37
Jul	17.90	17.67	17.98 17.65
Aug	18.00	17.87	18.00 17.95
Sep	18.04		18.04
IPE index	17.26	16.81	

Turnover: 4525 (8162)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
May	158.50	157.00	159.00 156.75
Jun	154.75	153.25	155.50 153.25
Jul	154.75	153.00	155.00 153.25
Aug	156.75	155.00	156.75 156.00
Sep	159.00	157.00	157.25 155.25
Oct	160.50	157.50	159.00 158.50
Nov	161.25	158.00	161.25 158.60
Dec	160.50	160.00	161.00 158.50
Jan	160.50	159.50	160.50 159.00

Turnover 4886 (5645)lots of 100 tonnes

TEA
There were 33,030 packages on offer this week including 15,400 offshore, reports the Tea Brokers' Association. Brighter liquoring East Africans sold well at dearer rates and medium Kenyas remained fully firm. Plainer descriptions proved irregularly easier while Central Africans met a selective enquiry and declined by 3p to 5p per kilo. Ceylons attracted strong competition with prices often advancing by 5p to 10p following quality. Offshore teas were well supported at firm rates except for plainer Kenyas which were neglected. Quotations: quality 220p (220), medium 140p (138), low medium 98p (98).

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	867	880	880 863
Jul	883	894	899 877
Sep	900	912	911 893
Dec	916	926	929 911
Mar	934	944	943 928
May	946	956	958 943
Jul	961	973	970 953

Turnover: 5721 (10894) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 23 1065.75 (1076.16) 10 day average for Apr 24 1048.34 (1042.39)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
May	694	699	703 687
Jul	695	692	698 685
Sep	708	702	711 698
Nov	723	716	722 711
Jan	734	729	735 730
Mar	746	743	749 740
May	762		763 758

turnover: 3963 (2637) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 20: Comp. daily 75.81 (74.36). 15 day average 75.67 (75.49)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
May	241.0	229.2	250.0 234.0
Nov	115.0	105.5	115.0 114.0
Apr	165.0	156.9	168.0 155.0

Turnover 421 (292) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Aug	126.00	126.50	126.50 126.00
Oct	129.00	129.50	129.50 129.00

Turnover 430 (20) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Apr	1395	1400	1410 1395
May	1350	1340	1360 1345
Jul	1208	1195	1214 1208
Oct	1298	1286	1315 1306
Jan	1330	1313	1340 1330
BFI	1414	1418	1414

Turnover 357 (613)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
May	116.10	114.75	116.15 114.90
Jun	118.10	117.00	118.35 117.30
Nov	111.70	111.00	111.40
Jan	115.10	114.50	
Mar	118.40	117.85	
May	121.55	121.00	
Barley	**Close**	**Previous**	**High/Low**
May	102.50	103.65	103.65 102.10
Sep	106.30	105.90	106.10
Nov	110.25	109.90	110.25
Jan	113.40	113.10	
May	117.40	117.15	

Turnover: Wheat 465 (364), Barley 111 (51).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	124.2	124.5	124.0
Jun	123.2	124.0	123.2
Aug	117.0	117.0	117.0
Nov	118.5	119.0	

Turnover 15 (10) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 13,900 tonne
Cash	1540-5	1520-2	1537	1537-8		
3 months	1553-4	1535-6	1583/1523	1551-2	1553-4	42,920 lots
Copper, Grade A (£ per tonne)						Ring turnover 36,150 tonne
Cash	1576-80	1580-2	1603/1601	1601-2		
3 months	1507-8	1516-8	1529/1504	1527-8	1507-9	74,419 lots
Lead (£ per tonne)						Ring turnover 3,675 tonne
Cash	491-3	495-7	501/493	501-2		
3 months	488-90	489-90	493/488	493-4	488-90	10,394 lots
Nickel ($ per tonne)						Ring turnover 2,508 tonne
Cash	9100-200	8800-50	9150/8800	8800-25		
3 months	8775-800	8625-50	8650/8620	8620-5	8625-50	7,228 lots
Tin ($ per tonne)						Ring turnover 435 tonne
Cash	6450-70	6540-50	6435	6430-40		
3 months	6550-75	6635-40	6620/6540	6530-60	6540-50	6,259 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 6,875 tonne
Cash	1639-40	1630-5	1665/1640	1683-6		
3 months	1589-90	1590-2	1595/1585	1595-6	1590-2	17,042 lots

LME Closing £/$ rate:
SPOT: 1.6362 3 months: 1.6106 6 months: 1.5874 9 months: 1.5645

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	375¾-376¼	229¾-230¼
Opening	376¼-376¾	229¾-230¼
Morning fix	375.65	229.489
Afternoon fix	375.25	229.398
Day's high	376¼-376¾	
Day's low	375-375½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	384-389	234½-237½
Britannia	384-389	234½-237½
US Eagle	384-389	234½-237½
Angel	386½-391½	236-239
Krugerrand	375-378	229-231
New Sov.	88½-90½	54-55½
Old Sov.	88½-90½	54-55½
Noble Plat	489.40-497.15	299.15-303.90
Silver fix	**p/fine oz**	**US cts equiv**
Spot	310.40	508.00
3 months	321.90	518.45
6 months	334.30	530.20
12 months	358.20	552.80

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
1450	100	111	1	17
1550	21	57	21	53
1650	1	22	100	116
Copper (Grade A)	**Calls**		**Puts**	
2400	151	120	6	84
2500	73	75	28	137
2600	26	44	80	204
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
650	63	86	19	29
700	35	58	41	61
750	18	39	74	82
Cocoa	**Jul**	**May**	**Jul**	**May**
850	61	86	28	37
900	36	60	53	61
950	21	42	88	92
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1700	61		11	39
1750	44		11	
1800		47		70

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	378.9	378.6	379.0	375.8
May	379.7	377.5	0	0
Jun	382.1	379.9	383.0	378.8
Aug	387.0	384.7	388.0	383.3
Oct	392.0	389.6	389.5	388.4
Dec	396.9	394.4	397.3	393.1
Feb	402.0	399.4	0	0
Apr	406.9	404.2	404.0	404.0
Jun	412.2	409.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	490.3	481.6	485.0	484.0
Jul	494.3	486.6	496.0	486.0
Oct	500.3	492.3	501.5	492.0
Jan	506.3	498.3	507.0	505.0
Apr	512.3	504.4	509.0	509.0
Jul	518.5	510.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	508.3	509.9	0	0
May	510.0	510.8	512.0	506.0
Jun	514.2	515.0	0	0
Jul	518.4	518.2	520.8	514.8
Sep	527.2	527.9	529.0	524.0
Dec	539.3	539.9	541.5	536.0
Jan	543.1	543.6	0	0
Mar	551.2	551.7	0	0
May	558.9	560.0	558.5	558.5
Jul	566.1	568.4	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	119.10	118.50	120.40	118.50
May	112.10	112.55	114.20	111.90
Jun	109.90	109.55	110.00	110.00
Jul	105.70	106.50	108.15	105.40
Aug	104.20	105.00	106.20	105.20
Sep	103.00	103.60	105.10	103.00
Oct	102.10	102.90	103.00	103.00
Nov	101.30	102.10	0	0
Dec	100.60	101.30	102.00	101.10
Jan	99.60	100.50	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	19.44	18.82	19.49	18.96
Jul	19.71	19.31	19.77	19.39
Aug	19.89	19.56	19.89	19.65
Sep	20.03	19.79	20.06	19.88
Oct	20.15	19.93	20.19	20.01
Nov	20.13	19.94	20.14	20.02
Dec	20.12	19.94	20.15	20.01
Jan	20.09	19.92	20.10	19.99
Feb	20.15	19.90	20.13	20.00
Mar	20.01	19.86	20.04	19.93

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
May	5350	5294	5370	5280
Jun	5205	5068	5215	5110
Jul	5200	5061	5200	5105
Aug	5280	5162	5265	5210
Dec	5650	5555	5655	5600
Jan	5670	5565	5680	5635
Feb	5630	5530	5660	5595

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1306	1315	1320	1295
Jul	1325	1337	1336	1316
Sep	1341	1351	1348	1334
Dec	1362	1369	1366	1354
Mar	1374	1382	1377	1365
May	1390	1397	0	0
Jul	1406	1412	1408	1398

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	96.09	95.61	97.10	95.00
Jul	98.27	97.87	99.10	97.70
Sep	100.15	99.53	100.75	99.60
Dec	102.40	101.87	102.75	101.75
Mar	104.50	104.25	104.75	104.60

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	15.31	15.26	15.32	15.22
Jul	15.34	15.37	15.39	15.29
Oct	15.18	15.22	15.22	15.12
Mar	14.34	14.41	14.40	14.29
May	14.21	14.24	14.22	14.20
Jul	14.08	14.10	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	75.31	74.01	75.55	74.20
Jul	74.83	73.56	74.86	73.80
Oct	69.35	68.65	69.40	68.75
Dec	66.60	66.20	66.70	66.25
Mar	67.40	67.10	67.45	67.24
May	67.60	67.30	67.53	67.30
Jul	67.50	67.30	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	189.65	195.50	193.70	188.20
Jul	189.30	193.70	192.20	188.60
Sep	184.75	188.10	187.50	184.00
Nov	178.50	181.90	181.00	177.50
Jan	172.40	176.00	174.00	171.55
Mar	172.25	175.75	176.00	170.75
May	171.75	175.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 23	Apr 20	mnth ago	yr ago
1927.6	1918.5	1900.7	2033.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr 20	Apr 19	mnth ago	yr ago
Spot	136.01	135.89	130.57	137.98
Futures	133.93	133.94	132.78	139.38

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	606/6	604/6	609/4	602/4
Jul	620/4	619/4	624/4	617/2
Aug	625/6	624/2	629/4	622/0
Sep	626/2	624/2	629/4	622/0
Nov	632/0	630/0	634/6	626/4
Jan	642/0	640/6	644/4	637/0
Mar	653/0	649/4	655/0	647/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	23.30	23.08	23.47	22.97
Jul	23.48	23.28	23.67	23.15
Aug	23.43	23.22	23.65	23.13
Sep	23.27	23.10	23.45	23.00
Oct	23.07	22.87	23.25	22.75
Dec	22.96	22.67	23.07	22.55
Jan	22.80	22.46	22.87	22.65
Mar	22.75	22.45	22.75	22.45

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	171.5	172.8	173.4	171.0
Jul	176.1	177.2	178.0	176.0
Aug	177.9	179.2	179.7	177.7
Sep	180.1	181.1	181.8	180.0
Oct	181.6	182.4	183.0	181.5
Dec	185.5	186.1	186.8	185.0
Jan	187.2	187.7	188.0	187.0
Mar	190.9	190.9	191.0	190.9

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	278/0	277/2	279/2	276/2
Jul	279/0	278/6	280/4	277/4
Sep	271/4	271/6	273/2	270/4
Dec	266/0	266/6	268/0	265/2
Mar	271/6	272/6	273/2	271/0
May	274/2	275/2	276/0	274/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	370/2	370/6	371/6	369/2
Jul	338/2	341/2	341/2	339/0
Sep	344/2	347/0	347/0	344/2
Dec	356/0	359/4	359/6	356/0
Mar	361/4	364/6	363/0	361/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	74.87	74.72	75.10	74.55
Jun	73.90	73.70	74.12	73.47
Aug	72.60	72.77	72.70	72.25
Oct	74.20	74.22	74.32	73.82
Dec	74.52	74.45	74.62	74.05
Feb	74.65	74.45	74.76	74.35

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	62.02	61.20	62.17	61.52
Jul	61.75	60.97	61.90	61.25
Aug	59.67	58.72	59.85	59.20
Oct	52.70	52.40	52.95	52.55
Dec	51.90	51.50	52.12	51.70
Feb	50.35	50.15	50.45	50.25
Apr	47.42	47.00	47.42	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	64.32	62.32	64.32	63.15
Jul	64.32	62.32	64.32	63.40
Aug	63.10	61.10	63.10	61.90
Feb	59.20	58.10	59.70	58.00
Mar	59.00	57.55	59.00	57.80

LONDON STOCK EXCHANGE

Selling remains light as market falls

INVESTMENT confidence in London suffered a fresh jolt yesterday as concern over the near-term outlook broadened to include the prospects for next month's auctions of US Federal securities, and the Japanese attitude towards the sale. A prediction by Merrill Lynch, the US brokerage, that Wall Street was set for a sharp fall put London on the downslope, and UK shares closed nearly 28 points down, at the day's worst levels, after the New York market came in with an early loss of 33 Dow points.

The announcement that Hoylake, the Sir James Goldsmith-led consortium, would not renew its bid for BAT Industries came after equity trading had closed, leaving BAT shares 4 off at 724p. "BAT will open lower this morning, but that will present a golden buying opportunity," said one trader. The withdrawal of the Hoylake bid, the largest takeover move so far attempted in the UK market, is expected to join the list of bearish factors hanging over equities.

Account Dealing Dates		
First Dealings:		
Apr 9	Apr 30	May 14
Option Declarations:		
Apr 26	May 10	May 24
Last Dealings:		
Apr 27	May 11	May 25
Account Day:		
May 8	May 21	Jun 4

*New time dealings may take place from 9.00 am two business days earlier

There was not much sign of improvement across the broader domestic front. UK money supply data for March showed a jump of £9.2bn in bank and building society lending for the month, higher than expected. Discouraging news from the battered property/building sector, where shares in Anglia Secure Homes were suspended and Hammerson Properties disclosed a disappointing net asset revaluation, maintained pressure on these sectors and also on the UK lending banks, already under fire in view of the risks to corporate lending books.

Equities fell steeply during the morning, although selling pressure was light. A US securities house operated a mixed trading programme worth about £100m and involving a list of FT-SE stocks. However, traders described the session as "boring, rather than alarming".

The Footsie Index paused ahead of Wall Street's opening, but then quickly extended its 22 point fall to close 27.9 points down on the day at 2,159.2. Seaq volume was a meagre 381m shares.

Market strategists took yesterday's setback calmly, although it was admitted that the market has now fallen through two chart support levels – at FT-SE 2,211 and 2,170. "We don't think there is a big black hole out there," was the view at County NatWest, although the strategy team admitted to wider concern about the chances for Japanese support at the US Treasury funding next month.

Kleinwort Benson Securities, which turned bearish on London some weeks ago, also pointed to the increasing implications for the UK market of Wall Street's prospects in the face of an apparent repatriation of funds by Japanese investors just as US Goverment funding needs are escalating.

Another property setback

HAMMERSON, the property investment company, came under pressure after a smaller-than-expected 6 per cent rise in asset value to 1118p per share for the year to December, 1989, reported in its final results.

The "A" shares fell 13 to 730p after the results were released. Turnover was a brisk 169,000 shares, with dealers noting modest selling. The market had slipped last week on fears that the results might disappoint, although few had expected such a small rise in its asset value.

Mr Alastair Gunn of Charterhouse Tilney said: "Six per cent asset value growth is one of the worst performances of any property investment company recently reporting."

Mr John Atkins of UBS Phillips & Drew noted that Hammerson had been on a premium rating to the rest of the sector. "After these results, its shares are looking around 5 per cent overvalued," he said. The growth from overseas property had not been sufficient to offset its stagnant UK portfolio, he added.

Some analysts lowered their asset forecasts for the current year. Charterhouse Tilney moved to 1200p per share from 1340p and UBS to 1150p from 1200p.

Glaxo/Astra

Stock market analysts were hurt by their exclusion last weekend from the seminar organised in London by Astra, the Swedish medicines group, at which the verbal battle over the respective medical properties of Losec, Astra's anti-ulcer drug, and Zantac, the world market leader manufactured by Glaxo, flared up again. Glaxo shares fell 16 to 770p but turnover, at 2.2m shares, indicated that selling pressure was light.

City analysts took a cautious view of the attacks on Zantac made at the seminar. At BZW Mr Steve Plag continued to advise portfolio managers to be "overweight" in Glaxo, and maintained that Astra's attacks "will almost certainly have no commercial impact on Zantac whatsoever." Asked if he was recommending the sale of Glaxo stock, Dr Erlig Refsum of Nomura Research replied: "Good God, no."

BAT news

BAT Industries shaded lower by 4 to 724p ahead of the statement, after trading hours, that Hoylake's bid for the tobacco group would not be renewed. Turnover was a modest 1m shares.

The withdrawal of the bid for BAT represented a disappointment for many large institutions, which would have expected to profit on their holdings in the group, and the absence of reinvestment of these profits could have a temporarily bearish effect on the equity market, according to analysts.

The British & Commonwealth affair and a general perception that the banking sector was experiencing a growing list of bad corporate and personal debts combined to unsettle the major clearers. There were also several large individual deals in yesterday morning's programme trades.

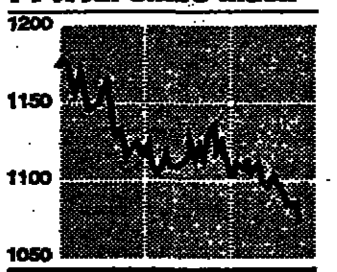
Barclays, which featured prominently in the first of the programmes, dropped 17 to 519p on turnover of 5.9m shares, which included a single deal of 2m. The deal was thought to have been a sale and the stock was said to be overhanging the market. "There was and still is a lot of stock swilling around the market," observed one dealer, who added that the banks remained an unhappy sector. "But there was support for most stocks at the lower levels," he said.

NatWest also fared badly, closing 17 off at 310p on 2.6m. Lloyds lost 10 to 264p on 3m and Midland dipped 7 to 309p on 1.1m. TSB, which also featured in the programme via a single trade of 1m, fell 3 to 124p on overall turnover of 2.8m.

Other weak stocks included Royal Bank of Scotland, 7 lower at 168p, and Standard Chartered, which fell 14 to 502p. Bank of Scotland, scheduled to report preliminary figures tomorrow, were a shade off at 111p.

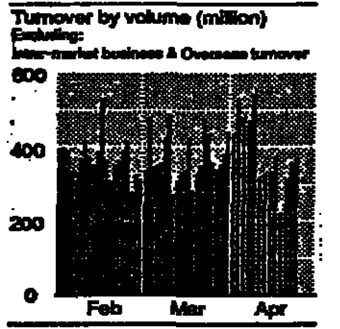
Merchant banks were weakened by a bearish note from UBS Phillips & Drew. Mr Steven Thorn, UBS's merchant banks analyst, said the sector had outperformed the FT-A All-Share index by 37 per cent since last June, but that "increasing evidence of a slowdown in corporate finance activity underlines our forecast earnings growth of only 2 per cent in 1990." He expects the merchants to "return to their traditional 15 per cent discount to the market - there is scope for 10 to 15 per cent downside from current ratings."

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Inter-market business & Overseas turnover



Apart from the forecast slowdown in corporate activity, Mr Thorn said there would be "little comfort elsewhere; securities volumes have collapsed by 20 per cent to approach 1988's loss-making levels. With depressed equity indices, asset management profits growth will moderate."

UBS labelled Hambros, Schroders and S.G. Warburg as sells. It rated Warburg as 10 per cent too expensive relative to the market, says Schroders are expensive "with no bid and a poor yield," and described Hambros as "overvalued on a fundamental basis." Hambros lost 8 to 254p, Schroders 25 to 1500p and Warburg 8 to 451p.

Allied London, the property company, slipped 8 to 93p following a fall in first-half profits to £3.8m from £5.5m last time. An analyst commented: "These results are a lot worse than expected." Priest Marians, a notoriously volatile stock, dropped 30 to 220p.

T & N resisted the market trend, firming a penny to 163p, boosted by the success of the recent rights issue. The company said that 81.02 per cent of the new shares had been taken up, with the balance of some 16.5m shares easily placed in the market at 80p, a 5p premium to the underwriting price, by Hoare Govett.

Hunting closed 3 lower at 187p; the company reported an improvement in profits from £34m in 1988 to £48.4m last year. Despite that increase, the market was concerned that the JP233 weapons contract to produce an airfield denial weapon, a significant contributor to profits, is to be wound down at the end of this year.

Mr Sandy Morris at County NatWest said: "Although aviation and oil and the technology divisions are both expected to produce growth, this will not offset the downturn in JP233." County has downgraded profits expectations to reflect the fall in contribution of the defence division. It now expects 1990 profits of £49m, down from its previous forecast of £52m, and expects 1991 profits of £47m.

Aquascutum, the UK classic clothing company, jumped 205 to 545p following a recommended £73.8m cash offer from Renown, a leading Japanese clothing group.

Ratners, the jewellery group, gained a penny to 227p on news of a 41 per cent jump in final profits. An analyst commented: "The market liked the indications that it will not be making any major acquisitions in the US." He added that a belief that any bid made by the company would be funded out of cash resources rather than by issuing equity helped sentiment.

Great Universal Stores slipped 14 to 901p on worries about its mail order business and involvement in the property market. Burton was also depressed, losing 7 to 150p.

The building and construction area of the market was given another rough ride. Anglia Secure Homes, the sheltered housing group, dipped to 65p prior to the shares being suspended at the company's request. Anglia said it was involved in discussions over its sheltered homes services business with a major financial institution, full details of which it hopes to announce by the end of the week.

McCarthy and Stone, another sheltered homes builder, suffered from persistent selling which drove the stock down to 34p before a close of 38p, a net decline of 11.

But there was relief for Fairbriar, hit by a wave of selling last week. Fairbriar shares rebounded 10 to 45p, sustained by a reassuring statement from the company issued late on Friday.

Tarmac, scheduled to report preliminary profits this morning, dropped 10 to 208p. The market range for pre-tax profits was £350m to £385m, compared with £393.1m. UBS Phillips & Drew was going for £370m and said the key to the figures was how badly the UK housing operation has fared following the profits warning in November last year. "A land bank provision would clear the decks for a better 1991," UBS said. The broker also said that Tarmac was revaluing its mineral reserves, which should double in value in the balance sheet to around £600m.

A press report regarding the excessive profit margins on international calls unsettled telecom stocks. British Telecom receded 4 to 254½p on 3.6m shares, while Cable & Wireless were given an uncomfortable ride on the same story, closing 11 lower at 485p on turnover of 2.5m.

At least two leading securities houses, UBS Phillips & Drew and Hoare Govett, reaffirmed their bearish stances on C & W, while analysts elsewhere took the view that C & W's Mercury could be more at risk than BT from official investigations into international call charges.

BICC, after a profits downgrade by BZW, lost 5 to 415p. Farnell, the components group, progressed to close 4 higher at 162p after preliminary figures described by Mr Ian McNeill of County NatWest as "excellent." Pre-tax profits came out at £30.63m, against £27.1m. Mr McNeill has increased his forecast for the current year by £2m to £35.5m.

Cookson took the honours for being the only stock in the FT-SE 100 to buck the market trend. Bargain hunters lifted the shares 2 to 188p as some 2.1m shares changed hands. The shares have been weak since last month's lower than forecast results and the profits downgradings that followed.

The rest of the chemicals sector followed the market trend lower. Allied Colloids declined 5 to 151p after County NatWest advised investors to switch out of Colloids into British Vita or Laporte. County said: "We forecast (for Colloids) compound average growth in earnings per share and pre-tax profits of around 10 per cent per annum for the three years to March 1991. Although solid, we do not believe that this justifies a 32 per cent prospective price earnings premium on the shares."

There was no interest, however, in either British Vita, 3 lower at 172p, nor in Laporte, 4 easier at 514p.

Alan Paul's acquisition of Essanelle, operator of a chain of hair and beauty salons in West Germany, a deal which accompanied news of a share placing and an open offer to shareholders, put Paul shares down 10 to 135p.

PML almost halved to 8p from 15p on the announcement that the preliminary figures were being postponed for some weeks. The company also warned of a first-quarter loss and omission of the dividend.

Among other small retailers, Irish-based Albion dropped to 40p before closing 11 down on the session at 49p. Textile manufacturer Tomkinsons gave up 18 to 258p on agency reports of high interest rates affecting carpet sales. The listing of Bestwood was suspended with the shares at 4½p pending the outcome of meetings with the company's bankers. The disclosure of sharply lower profits pushed Hartons down 3 to 33p.

Owners Abroad moved up 3 to 57p following a buy note issued by Schroder Securities which rated the shares a buy up to 65p.

Brent Walker lost 6 more to 260p, still unsettled by worries about the preliminary figures expected next month. Mecca, whose recently announced figures upset the leisure sector recently, rallied to end at 68p, after 71p. Carlton Communications dropped 13 more to 463p.

French buying interest boosted Eurotunnel, the shares adding 5 at 578p. The Anglo French Channel tunnel group yesterday said it planned to raise another £2.5bn to cover increased costs of building the tunnel.

■ Other Market statistics, including the FT-Actuaries share index, Page 31

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (23).
STORES (4) ELECTRICALS (3) FOODS (2) INDUSTRIALS (6) Alumasc, Baris, Cathay Pacific, Portmeirion Potts., Rolfe & Nolan, Swire Pacific "A", LEISURE (1) PROPERTY (3) TRUSTS (3) THIRD MARKET (1).
NEW LOWS (380).
BRITISH FUNDS (48) INT.BANK & O'SEAS GOVT. STLG. ISSUES (3) CORPORATION LOANS (2) FOREIGN BONDS (1) AMERICANS (5) CANADIANS (13) BANKS (18) BREWERS (8) BUILDINGS (23) CHEMICALS (3) STORES (13) ELECTRICALS (22) ENGINEERING (11) FOODS (5) HOTELS (2) INDUSTRIALS (58) ADT, Allied Part., Anglo Utd., Apollo Watch, Assoc. Brit. Ports, BET, Bardon, Barrett (Henry), Baxter Int, Bodycote Int, Brammer, Bridport-Gundry, British Vita, CH Inds, Celestion, Co. of Designers, Cosalt, De La Rue, Elbief, Erskine House, Do. 7¼pc Pf., Expamet Int, Fiezello C. & W., Gieves, Grampian Hldgs., Granada, Do. 7½pc net Cv., Grovewood, Hanson Wrrts., Hartons, Hepworth, Hunting, IWP Int, Kalamazoo, London Fin. & Invs., Lynx, MY, Norton, Page (Michael), Pilkington, Reliant, Ricardo, SAC Int, Securicor "A" N-V, Securicor, Security Services, Serco, Shaw (Arthur), Smithkline Bch. Eq. Unts., Do. "A", Sotheby's Class "A", Stocklake, Stormgard, Tamaris, Unigroup, West Inds, Wilshaw, INSURANCE (2) LEISURE (10) MOTORS (4) NEWSPAPERS (3) PAPERS (15) PROPERTY (20) SHOES (1) TEXTILES (8) TRANSPORT (1) TRUSTS (28) OILS (11) OVERSEAS TRADERS (2) MINES (24) THIRD MARKET (5).

FINANCIAL TIMES STOCK INDICES

	April 23	April 20	April 19	April 18	April 17	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	75.34	75.58	75.53	75.66	75.88	86.16	84.20 (2/1)	75.34 (23/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	84.83	85.53	85.50	85.55	85.69	96.98	92.91 (8/1)	84.88 (23/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1692.7	1712.6	1712.2	1732.8	1736.3	1701.9	1968.3 (3/1)	1692.7 (23/4)	2008.6 (5/9/89)	49.4 (28/6/40)
Gold Mines	245.2	247.8	248.7	248.0	250.6	186.6	378.5 (6/2)	245.2 (23/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2159.2	2187.1	2184.7	2205.9	2214.5	2062.0	2463.7 (3/1)	2159.2 (23/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.36	5.19	5.19	5.15	5.15	4.58				
Earning Yld %(full)	12.05	12.01	12.03	11.91	11.90	11.09				
P/E Ratio(Net)(☆)	10.07	10.11	10.10	10.20	10.21	10.91				
SEAQ Bargns 4.45pm	20,238	19,802	20,566	19,557	19,214	22,231				
Equity Turnover(£m)†	-	628.13	681.60	588.84	435.98	854.30				
Equity Bargains†	-	20,187	18,955	19,178	19,029	26,292				
Shares Traded (ml)†	-	357.3	368.5	311.5	216.9	351.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.97

Ordinary Share Index, Hourly changes — Day's High 1711.0 — Day's Low 1692.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1710.1	1708.2	1704.3	1705.0	1700.0	1698.5	1698.8	1696.2	1693.9

FT-SE, Hourly changes — Day's High 2185.1 — Day's Low 2159.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2184.6	2180.5	2174.3	2176.4	2167.3	2167.0	2165.3	2164.3	2160.9

GILT EDGED ACTIVITY

Indices*	April 20	April 19
Gilt Edged Bargains	72.2	80.8
5—Day average	74.4	69.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	3,600	176	−4	Cookson	2,100	188	+2	MB Group	738	195		Slebe	283	449	−11
ASDA Group	3,800	89	−2	Courtaulds	452	322	−3	MEPC	388	485	−8	Slough Ests	78	284	−1
Abbey National	2,600	184	−3	Dalgety	76	383	+3	Manpower	122	78	−3	Smith (W.H.) A	178	268	−1
Allied-Lyons	1,000	430	−8	Dixons	552	118		Marks & Spencer	2,600	194	−2	Smith & Nephew	932	123½	−1
Amstrad	1,800	72	−2	ECC Group	865	355	−6	Maxwell Comm.	851	187	−3	SmKl Beecham	913	472	−11
Anglian Water	1,300	152	+1½	Enterprise Oil	236	585	−7	Mecca Leisure	1,900	68	+1	SmKl Beecham Units	95	2120	−72
Argos	4,000	199	−1	FKI	2,630	68	−2	Midland Bank	1,100	310	−6	Smiths Inds	2,000	232	−2
Argyll Group	1,600	212	−1	Ferranti	1,200	42½		NatWest Bank	2,600	311	−16	South West Water	190	159	−3
Ass. Brit. Foods	50	385		Fisons	2,400	341		Next	882	70½	−½	Southern Water	83	128	−4
BAA	1,250	379	−1	Gen. Accident	136	1003		North West Water	1,100	142½	−3½	Standard Chartd.	285	503	−13
BAT Inds.	1,200	724	−4	General Elect.	5,200	193½	−1	Northern Foods	27	300		Storehouse	748	110	−2
[illegible]				[illegible]				[illegible]				[illegible]			
British Gas	4,430	233	−2	Hillsdown	2,330	241	−3	Reed Intl.	546	387	−1	Unigate	457	278	−1
British Land	159	349	−6	IMI	634	223	−2	Reuters	817	1112	−33	Unilever	733	625	−16
BP	2,800	214½	−2	ICI	961	1072	−9	Rolls Royce	2,800	186		United Biscuits	477	314	−2
British Steel	4,600	138½	−1	Inchcape	157	252	−1	Rothmans	91	843	−1	Utd. Newspapers	101	330	−4
British Telecom	3,600	254½	−4	Kingfisher	892	298	−5	Ryl Bk Scotland	648	167	−8	Water Package Uts	3	£1432	−22
Bunzl	351	94	−1	Ladbroke	1,200	275	−10	Royal Insurance	988	447	−2	Wellcome	381	670	−5
Burmah Oil	625	600	−1	Land Securities	570	468	−8	STC	3,100	261	−8	Welsh Water	80	163	−1
Burton	2,400	150	−7	Laporte	6	514	−4	Saatchi	1,000	103	−4	Wessex Water	56	147	−4
Cable & Wire	2,500	485	−11	Legal & General	667	358		Sainsbury	377	253	−2	Whitbread 'A'	471	374	−3
Cadbury	348	[illegible]	−6	Lloyds Abbey	35	302		Scottish & New	683	300	−2	Williams Hldgs.	1,700	253	−2
Calor Group	26	256		Lloyds Bank	3,000	255	−9	Sears	1,900	85½	−½	Willis Faber	277	279	
Carlton Comms.	544	463	−13	LASMO	343	585	−3	Sedgwick	687	250	−2	Wimpey	48	225	−3
Coats Viyella	2,600	111		Lonrho	843	256	−8	Severn Trent Water	679	132	−5	Yorkshire Water	1,800	155	
Comm. Union	615	457	−1	Lucas	179	598	−4	Shell Transport	1,700	443	−4				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

Senior posts at Security Pacific

■ SECURITY PACIFIC MERCHANT BANK, investment banking arm of Security Pacific Corporation, has appointed Mr George Handjinicolaou (London) and Ms Denise Boutross (New York) as managing directors of Security Pacific's global interest rate and currency risk management group. The appointments follow the resignation of Mr Michael Soden who was managing director and chief executive officer, since its creation in 1985, of Security Pacific Hoare Govett, operating company for swaps in London. He says he is leaving "to smell the roses," and to be with his family.

■ THE CHARTERED INSTITUTE OF MARKETING has appointed Mr Terence J. Nash as director general from June 1. He is chief executive of Bristol Chamber of Commerce and Industry, and previously was managing director of RELCOM.

■ The following join the partnership of FRESHFIELDS on May 1: Mr Roger Dyer, Mr Ian Falconer, Mr Patrick Gaynor, Mr Timothy Jones, Mr David Pollard, Mr Mark Rawlinson, Ms Sally Roe and Mr Mark Stebbings.

AVDEL has appointed Mr Clive Jackson *(above)*, divisional financial controller, as finance director of subsidiary Avdel Systems to replace Mr Peter Brook who retires on June 7.

Following the recent management buyout, Mr Andrew J. Smith has been appointed chairman of LA FAVORITE, condiments specialist. Mr Gaetan Gauci becomes technical manager; and Mrs Linda Smith and Mrs Jean Cunningham are made directors.

■ GLAMAR GROUP has appointed Mr David Grattan as chief financial officer and finance director designate. He was chief accountant of The Albert Fisher Group.

■ Mr Philip H. Parker has joined the board of NORTH SEA ASSETS to succeed Mr David N. James as group chief executive at the annual meeting in May when Mr James will resign. Mr Parker was group director of corporate development at the Plessey Co.

■ Mr Antony Beevor has taken over from Mr Michael Sorkin, a vice chairman, as head of the corporate finance division at HAMBROS BANK. Mr Beevor has recently returned from two years as director general of the Takeover Panel. The bank says "This change will allow Michael Sorkin to devote his time exclusively to his existing clients, and, as importantly, to help extend the size and scope of the division's UK and international client base."

■ GSi Motor Trade, a UK division of Generale Service de Informatique, has appointed Mr Gerard Levesque as managing director. He was finance director

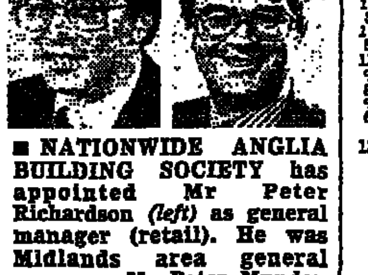
■ AWD TRUCKS' marketing and customer service director Mr Malcolm Jefferies has additionally been made responsible for all UK sales. He succeeds Mr Sandy Young who joins his family's haulage business.

■ Following UNIVERSAL FLAVORS acquisition of Felton Worldwide, Dr Geoffrey Frost has been appointed managing director of the Europe and Middle Eastern region. Mr Robert Clarke has been appointed managing director of Universal Flavors in the UK. Universal Flavors Inc is a subsidiary of Universal Foods Corp, US. Dr Frost was managing director of Felton Worldwide in the UK.

■ MOWLEM SCOTLAND has promoted Mr Frank Dick from commercial manager to commercial director.

■ BARING INTERNATIONAL INVESTMENT has appointed Mr Ian Kennedy (London), Mr David Brennan (Hong Kong) and Ms Ann Janis (San Francisco) to its board.

■ BEESON GREGORY has appointed Mr Nick Rodgers as an associate director in the corporate finance department. Before joining the company last December he was with Ernst and Young in the corporate advisory department.



■ NATIONWIDE ANGLIA BUILDING SOCIETY has appointed Mr Peter Richardson *(left)* as general manager (retail). He was Midlands area general manager. Mr Peter Munday *(right)*, central London area general manager, has been promoted to general manager (business development).

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas. 8pc Cv 1990 ‡‡	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas. 10pcCv 1990	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Exch 2¼pc 1990	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas 8pc 1992 ‡‡	[illegible]	[illegible]	8.95	[illegible]
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	11.20	[illegible]
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.60	[illegible]
[illegible]	[illegible]	Exch 12¼pc '92	[illegible]	[illegible]	12.69	[illegible]
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	13.62	[illegible]
[illegible]	[illegible]	Treas 8¼pc 1993	[illegible]	[illegible]	9.42	[illegible]
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.91	[illegible]
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	12.87	[illegible]
[illegible]	[illegible]	Funding 6pc 1993‡‡	[illegible]	[illegible]	7.23	[illegible]
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	13.65	[illegible]
[illegible]	[illegible]	Treas. 8½pc 1994	[illegible]	[illegible]	9.93	[illegible]
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]	[illegible]	14.00	[illegible]
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]	[illegible]	13.45	[illegible]
[illegible]	[illegible]	Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	11.12	[illegible]
[illegible]	[illegible]	Exch. 12½pc 1994	[illegible]	[illegible]	12.64	[illegible]
[illegible]	[illegible]	Treas 9pc 1994‡‡	[illegible]	[illegible]	10.40	[illegible]

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 12pc 1995	[illegible]	[illegible]	12.52	[illegible]
[illegible]	[illegible]	Exch 3pc Gas 90-95	[illegible]	[illegible]	4.04	[illegible]
[illegible]	[illegible]	Exch. 10¼pc 1995	[illegible]	[illegible]	11.43	[illegible]
[illegible]	[illegible]	Treas 12¾pc 1995‡‡	[illegible]	[illegible]	12.98	[illegible]
[illegible]	[illegible]	Treas. 14pc '96	[illegible]	[illegible]	13.61	[illegible]
[illegible]	[illegible]	Treas. 9pc 1992-96‡‡	[illegible]	[illegible]	10.73	[illegible]
[illegible]	[illegible]	Treas 15¼pc 1996‡‡	[illegible]	[illegible]	14.04	[illegible]
[illegible]	[illegible]	Exch 13¼pc 1996‡‡	[illegible]	[illegible]	13.18	[illegible]
[illegible]	[illegible]	Conversion 10pc 1996	[illegible]	[illegible]	11.50	[illegible]
[illegible]	[illegible]	Treas 13¼pc 1997‡‡	[illegible]	[illegible]	13.17	[illegible]
[illegible]	[illegible]	Exch 10½pc 1997	[illegible]	[illegible]	11.79	[illegible]
[illegible]	[illegible]	Treas 8¾pc 1997‡‡	[illegible]	[illegible]	10.79	[illegible]
[illegible]	[illegible]	Exch 15pc 1997	[illegible]	[illegible]	13.83	[illegible]
[illegible]	[illegible]	Exch. 9¾pc 1998	[illegible]	[illegible]	11.47	[illegible]
[illegible]	[illegible]	Treas 6¾pc 1995-98‡‡	[illegible]	[illegible]	9.42	[illegible]
[illegible]	[illegible]	Treas. 15½pc '98‡‡	[illegible]	[illegible]	13.81	[illegible]
[illegible]	[illegible]	Exch. 12pc 1998	[illegible]	[illegible]	12.62	[illegible]
[illegible]	[illegible]	Do. 12pc 1998 'B'	[illegible]	[illegible]	13.14	[illegible]
[illegible]	[illegible]	Treas 9½pc 1999‡‡	[illegible]	[illegible]	11.34	[illegible]
[illegible]	[illegible]	Exch. 12¼pc 1999	[illegible]	[illegible]	12.76	[illegible]
[illegible]	[illegible]	Treas. 10½pc 1999	[illegible]	[illegible]	11.97	[illegible]
[illegible]	[illegible]	Conversion 10¼pc 1999	[illegible]	[illegible]	11.89	[illegible]
[illegible]	[illegible]	Treas. 8½pc Ln 2000‡‡	[illegible]	[illegible]	10.92	[illegible]
[illegible]	[illegible]	Conversion 9pc 2000‡‡	[illegible]	[illegible]	11.19	[illegible]
[illegible]	[illegible]	Treas. 13pc 2000	[illegible]	[illegible]	12.95	[illegible]
[illegible]	[illegible]	Treas 10pc 2001	[illegible]	[illegible]	11.80	[illegible]
[illegible]	[illegible]	Treas. 14pc '98-01	[illegible]	[illegible]	13.45	[illegible]
[illegible]	[illegible]	Conversion 10pc 2002	[illegible]	[illegible]	11.48	[illegible]
[illegible]	[illegible]	Treas 9¾pc 2002	[illegible]	[illegible]	11.70	[illegible]
[illegible]	[illegible]	Treas. 9¾pc 2002 'B'	[illegible]	[illegible]	11.35	[illegible]
[illegible]	[illegible]	Exch. 9pc 2002	[illegible]	[illegible]	11.42	[illegible]
[illegible]	[illegible]	Treas. 13¾pc 2000-03	[illegible]	[illegible]	13.18	[illegible]
[illegible]	[illegible]	Treas 10pc 2003	[illegible]	[illegible]	11.74	[illegible]
[illegible]	[illegible]	Treas. 11½pc 2001-04	[illegible]	[illegible]	12.43	[illegible]
[illegible]	[illegible]	Treas. 10pc 2004	[illegible]	[illegible]	11.72	[illegible]
[illegible]	[illegible]	Funding 3½pc '99-04	[illegible]	[illegible]	7.37	[illegible]
[illegible]	[illegible]	Conversion 9½pc 2004	[illegible]	[illegible]	11.56	[illegible]

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	Conversion 9½pc 2005	[illegible]	[illegible]	11.56	[illegible]
[illegible]	[illegible]	Exch. 10½pc 2005	[illegible]	[illegible]	11.79	[illegible]
[illegible]	[illegible]	Treas. 12½pc 2003-05	[illegible]	[illegible]	12.38	[illegible]
[illegible]	[illegible]	Treas. 8pc 2002-06‡‡	[illegible]	[illegible]	11.15	[illegible]
[illegible]	[illegible]	Treas. 11¾pc 2003-07	[illegible]	[illegible]	12.23	[illegible]
[illegible]	[illegible]	Treas 8½pc 2007 ‡‡	[illegible]	[illegible]	11.20	[illegible]
[illegible]	[illegible]	Treas. 13½pc '04-08	[illegible]	[illegible]	12.50	[illegible]
[illegible]	[illegible]	Treas. 9pc 2008 ‡‡	[illegible]	[illegible]	11.30	[illegible]
[illegible]	[illegible]	Treas 8pc 2009	[illegible]	[illegible]	11.10	[illegible]
[illegible]	[illegible]	Conv 9pc Ln 2011 ‡‡	[illegible]	[illegible]	11.31	[illegible]
[illegible]	[illegible]	Treas. 5½pc 2008-12‡‡	[illegible]	[illegible]	10.47	[illegible]
[illegible]	[illegible]	Treas. 7¾pc 2012-15‡‡	[illegible]	[illegible]	11.18	[illegible]
[illegible]	[illegible]	Exch. 12pc '13-17	[illegible]	[illegible]	11.63	[illegible]

Undated

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	Consols 4pc	[illegible]	[illegible]	11.59	
[illegible]	[illegible]	War Loan 3½pc‡‡	[illegible]	[illegible]	11.50	
[illegible]	[illegible]	Conv. 3½pc '61 Aft.	[illegible]	[illegible]	6.20	
[illegible]	[illegible]	Treas. 3pc '66 Aft.	[illegible]	[illegible]	10.84	
[illegible]	[illegible]	Consols 2½pc	[illegible]	[illegible]	11.66	
[illegible]	[illegible]	Treas. 2½pc	[illegible]	[illegible]	11.83	

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	234	ANZ SA1	234	–2	44c	1.4	8.5	8.3
196	172	Abbey National 10p.	184	–3	5.7	4.3	4.1	7.5
282	238	Allied Irish Ord.	263	–3	Q68%	3.3	3.1	13.5
£13¾	£11⅞	Algemene Fl.10	£12⅝	–⅛	Q28%	2.0	7.0	7.1
85	73	Anglo Irish	78	......	Q18.7%	2.7	5.7	10.6
81	69	Ansbacher (H.) 1p.	69	......	2.5	1.3	4.8	19.9
£70½	£54½	Bancaire Cie Fr100.	£69½	–1½	Q12½%	–	2.0	–
£22½	£16½	Banco Bilbao Viz.	£16⅝	......	Q17.9%	2.0	4.3	11.5
£31	£24½	Banco de Santander	£24½	......	Q25%	2.4	4.7	8.9
286	248	Bank Ireland Ir£1.	257	–3	Q23%	3.2	4.5	8.8
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
350	320	Bank Leumi (U.K.)	345	......	†13.5	–	5.2	–
125	110	Bank Scotland	111	–1	†3.8	3.6	4.6	8.0
100¼	90	Do 9¼pc Irrd Pf.	92	–½	9¼%	–	13.4	–
54	49	Bank of Wales	49	......	2.8	1.6	7.6	10.2
599	519	Barclays £1	519	–17	27.4	3.5	7.0	5.1
22	15	Benchmark 20p.	16	+1	1.63	1.0	13.5	9.2
335	310	Brown Shipley £1.	315	......	†10.5	–	4.4	–
455	390	Cater Allen £1	390	–4	23.5	–	8.0	–
179	149	Chancery	161	......	†8.0	2.8	6.6	7.1
£23¼	£19⅞	Commerzbk DM10.	£20¼	......	Q18%	–	3.2	–
£27	£23¼	C'hgn.Hbk Kr100.	£24¼	......	Q15%	–	5.6	–
£13¼	842	Dai Ichi KBk Y50.	889	+7	Q16%	8.8	0.3	34.0
£313	£262½	Deutsche Bk DM50.	£275⅝	–8½	Q28%	–	1.8	–
£20¾	£19	Espirito Santo	£20	+½	Q75c	3.3	2.3	13.6
253	211	First Nat. Fin. 10p.	225	......	13.0	2.4	7.7	6.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989 K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... v	76	-2
Craig & Rose £1.. v	810	.....
Finlay Pkg 5p.... v	56	......
Holt (Jos) 25p.....v	1323	+13

IRISH

Cap 8½% Ln. 1991 .	£97	......
9pc Cap Ln 1996 .	£93¼	......
Fin. 13% 97/02...	£110¼	......
Arnotts..................	450	......
Carrol (P J.)....... v	168	-4
Hall (R. & H.).......	155	......
Helton Hldgs.......v	72	-5
IRG...	200	......
United Drug.........	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5¾
BAT	83
BOC Grp.	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	28
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	68

Property

Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	10
Ultramar	31

Mines

Lonrho	22
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

Merlin Jupiter Unit Tst Mgrs Ltd (0905)F
197 Knightsbridge, London SW7 1RB 01-581 3020

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Cap	5	102.5	105.3	112.0	+2.3	0.90
Income	5	88.81	89.68	95.40	-0.21	4.44
Resources & General	5	112.5	113.8	121.0	-0.6	2.66
Special Sits	5	32.29	33.51	35.64	+0.04	3.76
International	5	54.47	54.47	57.94	-0.02	2.98
Ecology	5	58.25	59.53xd	63.32	-0.21	1.90

† Dealing Day: Wed. *Dealing day: Thurs.

Pearl Unit Trusts Ltd (1000)H
PO Box 500, Thorpe Wood, Peterborough PE3 6GD
Dealing: 0800 626577 Enquiries: 0733 67767

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5	111.7	114.1	120.0	-0.6	3.46
(Accum Units)	5	177.9	181.8	191.3	-0.9	3.46
Income	6	166.3	169.4xd	180.2	-0.5	4.74
Equity	6	169.2	172.2	183.1	-0.8	3.31
(Accum Units)	6	319.1	324.7	345.4	-1.6	3.31
Intl Equity	6	173.2	175.4	186.5	-1.4	2.00
(Accum Units)	6	182.1	184.4	196.1	-1.4	2.00
UK Income	6	45.09	46.45	49.41	-0.25	4.70
UK Intl 25	6	46.06	46.69	49.66	-0.13	2.88

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init. Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 6545						
American Opps	5	52.20	53.06	56.58	-0.27	0.20
(Accum Units)	5	53.72	54.60	58.23	-0.27	0.20
European Opps	5	77.45	77.75	82.95	-0.36	0.00
(Accum Units)	5	77.88	78.16	83.38	-0.37	0.00
Far Eastern Opps	5	132.44	132.45	141.48	-0.35	0.00
(Accum Units)	5	133.29	133.49	142.38	-0.36	0.00
Golden Opps	5	37.82	37.82	40.33	-0.61	0.00
(Accum Units)	5	38.90	38.90	41.49	-0.62	0.00
Intl Hi-Yield	5	59.94	59.96	63.95	+0.01	4.31
(Accum Units)	5	65.34	65.37	69.71	+0.01	4.31
Sanyo Japan Tst	5	62.60	62.60	66.76	-0.34	0.00
(Accum Units)	5	62.60	62.60	66.76	-0.34	0.00
Kangaroo	5	30.05	30.05	32.04	-0.07	1.30
(Accum Units)	5	30.22	30.22	32.22	-0.08	1.30
Oriental Income	5	33.39	33.44	35.66	+0.10	4.90
(Accum Units)	5	37.94	38.00	40.52	+0.12	4.90
Tiger	5	149.92	149.92	159.90	-0.23	0.69
(Accum Units)	5	152.57	152.57	162.73	-0.23	0.69
UK Hi-Yield	5	42.08	42.08	44.88	-0.15	5.09
(Accum Units)	5	48.11	48.11	51.31	-0.18	5.09
UK Opps	5	52.99	55.58	59.43	-0.22	0.71
(Accum Units)	5	57.66	60.48	64.67	-0.23	0.71
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	90.03	91.69	97.54	-0.13	4.00
Timberlake Unit Trust Mngrs Ltd (0900)F						
1 White Hart Yard, London SE1 1NX 01 407 5966						
Portfolio	2	97.92	97.92	100.63	-0.24	1.18

	Bid Price	Offer Price	+ or -	Yield Gros
NM Rothschild Asset Management Ltd				
NC Managed	59.6	59.2	-0.4	3.88
NC Property	191.9	209.7	—	—
J. Rothschild Fund Managers Ltd				
(m) Exempt	142.9	144.4	—	3.38
Stewart Ivory & Co Ltd				
Saints PPP Mar 14	1256.5	269.0	—	0.00
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Apr 17	101.55	107.40	—	3.84
(Accum Units)	100.74	108.40	—	3.84
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1248	1264	—	1.43
TR Exempt Nth Amer	969	983	—	3.31
TR Exempt Pac Basin	865	877	—	0

INSURANCES

AA Friendly Society

(Investment Mngt. M & G Inv Mngt Ltd)

OTHER UK UNIT TRUSTS

Continued on next page

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MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

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Ivory & Sime (Luxembourg) SA
13 rue Goethe L-1637 Luxembourg 010 352 4046461
Atlas Fund

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Global Cap Portfolio		$	2.427	2.574		0.25
United States Portfolio		$	2.444	2.593		0.35
United Kingdom Portfolio		£	1.057	1.121		11.00
Contl Europe Portfolio		DM	4.555	4.830		0.45
Europrime Portfolio		£	1.150	1.223		-
Japan Portfolio		$	0.781	0.829		-
Pacific Portfolio		$	2.660	2.821		1.00
Gold Portfolio		$	2.032	2.155		0.35
UK Growth of Income		£	1.130	1.199		1.90
Sterling Gilt Portfolio		£	0.879	0.932		5.00
Global Bond Portfolio		$	1.874	1.986		3.50
Dollar Portfolio		$	2.072	2.072		7.50
Yen Portfolio		$	0.889	0.890		2.20
Sterling Portfolio		£	1.045	1.046		6.40

Midland International Circuit Fund SICAV
Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 37748

		Bid Price	Offer Price	+ or -	Yield
UK Growth	£	0.985	1.046	[illegible]	-
European Growth	£	1.116	1.184	[illegible]	-
Japan Growth	£	1.018	1.080	[illegible]	-
Pacific Growth	£	0.979	1.038	[illegible]	-
Nth American Growth	£	1.007	1.069	[illegible]	-
UK Fixed Interest	£	1.018	1.080	[illegible]	-
Multicurrency Bond	£	1.014	1.076	[illegible]	-
UK Stlg Liquidity	£	1.021	1.083	[illegible]	-
US$ Liquidity	£	1.024	1.086	[illegible]	-

Morgan Grenfell UT Mgrs/Deutsche Bank
Representative for IIM, Luxembourg
20 Finsbury Circus, EC2M 2UT 01-826 0826

		Bid Price	Offer Price	+ or -	Yield
Eurorenta	DM	79.81	82.30	+0.2	-
DM Reserve	DM	115.75	117.08	+0.1	-
Dollarrenta	$	48.42	49.90	+0.1	-

Nomura Global Fund
UK dealing agent National Inv Group plc. Holland Rse. 1/4 Bury Street, London EC3A 5AT 01-283 8050

	Bid Price	Offer Price	+ or -	Yield
Asia Pacific P'folio	$8.35			-

Royal Trust Assetmix Fund
41 Avenue de la Gare L-1611, Luxembourg 352 489 061
Equity Funds

Nikko Capital Mngt (Europe) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Japan Index Fund	Y3,338	3,371		-
New Generation Fd. $	$16.48	16.99		-
Japan Index Alpha	Y9,795	9,942		-
Jap Sector Rotation	Y8,609	8,736		-

Strongbold Asset Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Tech and Comm.	£13.07	13.88		-
Pacific Basin Fd.	$102.88	108.50		-
Western European	$18.55	19.89		-

Tyndall International (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Defender	$1.27	1.34		-
Hi Yield Bond	65.5	65.7	+0.1	13.30
Internat. Spec. Sits.	48.5	51.1	-0.2	-
Mirrorsoft Fd.	78.1	82.1	-1.2	-

U.S. Treasury Securities Fund Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Short Term Shares	$702.85			-
Fixed Income Shares	$865.27			-

Wellington Fd Mngrs (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intnl Growth Fd.	$13.58	14.25		-

Yamaichi Capital Mangmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Japan Mega Growth	$11.30		-0.05	-
Yamaichi ISS Fund	$7.94		-0.04	-
Yamaichi CB Plus Fund	$8.50		-0.01	-
Yen Inv Fund	$12.02			-

JERSEY (**)

Allied Irish Fund Managers (CI) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling Currency Fd.	£14.5692			-
Managed Currency Fd.	$34.6758			-
Do Sterling Equivalent	£21.2077			-
Ecu	Ecu12.8809			-
Irish Gilt Fd.	IE187.4006			-
Intl Managed Dollar	$29.6724			-
Intl Managed Bond	IE21.1656			-

Barclays Intl Funds
Currency Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling	£17.68		+0.02	13.7
US Dollar	$28.89		+0.02	7.1
Deutschemark	DM49.29		+0.03	6.6
Yen	Y3,680		+1	3.5

Scimitar Worldwide Selection Fd Ltd

CMI Insurance Co Ltd
Clerical Medical Hse, Douglas I.O.M. 0624 25599

BMA—Banque de Marches et d'Arbitrage

Julius Baer Bank & Trust Co Ltd

Banque Scandinave Fd. Mgrs. Ltd.

Global Asset Management Corpn—Contd.

Nomura Rosenberg Alpha Fund Mark II

	Bid Price	Offer Price	+ or -	Yield Gross
Portfolio A. NAV	$13.02			-
Portfolio B' NAV	$9.92			-

North Star Fund Managers (Cayman) Ltd

US Pacific Stock Fund

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Apr 23		$15.92		-

Unico Financial Services SA Lux
DG Investment Bank Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Unico Invest. Fund	DM70.14	72.30		3.00
Unico Equity Fund	DM63.86	65.78		3.00

Union-Investment-Gesellschaft GmbH

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

DUBLIN (SIB RECOGNISED)

GUERNSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Money Market Trust Funds

Money Market Bank Accounts

NOTES—Gross rate to those exempt from composite rate of tax Net actual rate after deduction of CRT Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate Int. Cr frequency interest credited

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. k Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. φ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend. (**) Funds not SIB recognised.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark falls on unity offer

NEWS THAT West Germany has made a qualified offer to convert East German marks at parity put downward pressure on the D-Mark yesterday. According to the Government in Bonn, East German wages and savings up to 4,000 marks will be converted at one-for-one if the two Germanys achieve monetary union in July.

The market regarded this as a generous offer and noted that the Bundesbank had reservations about the conversion plan. It was seen as a move motivated by political rather than economic reasons. Dealers are now waiting to see whether the central bank will allow the D-Mark to slide lower, or will intervene with determination on the currency market. Another option could be higher interest rates, bringing consequences for many other currencies.

Mr Karl Otto Pöhl, president of the Bundesbank, said last week that Germany would suffer if the stability of the D-Mark was endangered, and that maintaining a stable currency was more important for the Bundesbank than monetary union

Speculation that this may result in higher interest rates had no impact on the foreign exchanges yesterday. The D-Mark lost ground to the dollar and members of the European Monetary System.

The D-Mark hovered around the bottom of the EMS, with the French franc rising to its highest level against the German currency for 2½ years. At the Paris fixing the D-Mark fell to FFr3.3598, without any intervention by the Bank of France, and by the London close it had declined to FFr3.3560, from FFr3.3580 on Friday. The D-Mark also fell to L733.65 from L734.40 against the lira at the finish of trading in London. In Milan the lira was fixed at its highest point against the D-Mark since mid-November.

Intervention by the Bank of Spain has failed to prevent the peseta strengthening at the top of the EMS. The Bank of Spain bought French francs against the peseta on Friday, and continued to intervene yesterday, with further purchases of francs. The peseta remained very firm, however, but within its 6 per cent EMS divergence limit. The lira was also strong, nudging up towards its 2¼ per cent limit against the weaker currencies.

The Japanese yen has moved out of the spotlight, as long D-Mark positions have been liquidated. The D-Mark fell to Y92.90 from Y93.45 in London, and the yen was little changed against the dollar.

In London the dollar rose to DM1.6970 from DM1.6885, after touching a peak of DM1.7000. It also advanced to FFr5.6950 from FFr5.6700; and to SFr1.4930 from SFr1.4910, but eased to Y157.65 from Y157.80. Its index rose to 68.5 from 68.3.

Sterling benefitted from the weak D-Mark, rising to DM2.7775 from DM2.7625; to FFr9.3200 from FFr9.2725; and to SFr2.4425 from SFr2.4375, but was unchanged at Y258.00. The pound gained 10 points to $1.6365, and its index rose 0.2 to 87.4.

EURO-CURRENCY INTEREST RATES

Apr 23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14 7/8	15 1/16-14 15/16	15 1/16-15	15 1/4-15 1/8	15 3/8-15 1/4	15 11/16-15 1/2
US Dollar	8 3/8-8 1/4	8 3/8-8 1/4	8 7/16-8 5/16	8 5/8-8 1/2	8 13/16-8 11/16	9 1/8-9
Can. Dollar	12 3/4-12 5/8	13-12 3/4	13 1/16-12 15/16	13 3/8-13 1/4	13 5/8-13 1/2	13 3/4-13 1/2
D. Guilder	8 1/8-7 7/8	8 1/4-8	8 3/8-8 1/4	8 5/8-8 1/2	8 13/16-8 11/16	9 1/8-8 15/16
Sw Franc	10 1/2-10 1/4	10 1/8-9 7/8	9 7/8-9 3/4	9 3/4-9 5/8	9 5/8-9 1/2	9 3/8-9 1/4
Deutschmark	7 13/16-7 11/16	7 13/16-7 11/16	8-7 7/8	8 1/4-8 1/8	8 1/2-8 3/8	9-8 7/8
Fr. Franc	9 11/16-9 9/16	9 7/8-9 5/8	9 3/4-9 5/8	9 15/16-9 13/16	10 1/16-9 15/16	10 1/2-10 3/8
Italian Lira	13-11	11 3/4-10 1/4	11 3/4-11 1/4	12-11 1/2	12 1/4-12	12 3/4-12 1/4
Belgian Franc	10 1/16-9 15/16	10 1/4-10	10 1/4-10	10 1/2-10 3/8	10 5/8-10 3/8	10 5/8-10 3/8
Yen	7 1/4-7 1/8	7 3/8-7 1/4	7 3/8-7 1/4	7 1/2-7 3/8	7 5/8-7 1/2	7 3/4-7 5/8
D.Krone	11 5/8-11 1/2	12-11 3/4	11 3/4-11 1/2	11 1/2-11 1/4	11 1/2-11 1/4	11 1/2-11 1/4
Asian $Sing	8 1/4-8 1/4	8 1/2-8 3/8	8 1/2-8 3/8	8 5/8-8 1/2	8 3/4-8 5/8	9 1/4-8 3/4

Long term Eurodollars: two years 9 1/4-9 1/8 per cent; three years 9 5/8-9 1/2 per cent; four years 9 13/16-9 11/16 per cent; five years 9 7/8-9 3/4 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

Apr.23	Latest	Previous Close
£ Spot	1.6360-1.6370	1.6380-1.6390
1 month	0.87-0.86pm	0.88-0.86pm
3 months	2.57-2.55pm	2.60-2.57pm
12 months	9.30-9.23pm	9.45-9.40pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr.23	Previous
8.30 am	87.3	87.2
9.00 am	87.2	87.1
10.00 am	87.2	86.1
11.00 am	87.3	87.1
Noon	87.3	87.2
1.00 pm	87.3	87.2
2.00 pm	87.3	87.1
3.00 pm	87.3	87.1
4.00 pm	87.4	87.1

CURRENCY RATES

Apr.23	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.793842	0.737395
U.S Dollar	7	1.30452	1.20653
Canadian $	13.32	1.51650	1.40078
Austrian Sch.	6½	15.4403	14.4095
Belgian Franc	10¼	45.3940	42.3340
Danish Krone	10½	8.35154	7.78873
Deutsche Mark	6.00	2.19342	2.04808
Neth. Guilder	7.00	2.46880	2.30386
French Franc	10¼	7.36989	6.87358
Italian Lira	13½	1611.25	1502.85
Japanese Yen	5¼	205.266	190.052
Norway Krone	8	8.51852	7.92326
Spanish Peseta	-	138.897	129.002
Swedish Krona	12	7.95692	7.40083
Swiss Franc	6.00	1.93656	1.79821
Greek Drach.	20½	214.072	199.704
Irish Punt	-	0.818391	0.763286

† European Commission Calculations.
* All SDR rates are for Apr.20

CURRENCY MOVEMENTS

Apr.23	Bank of England Index	Morgan** Guaranty Changes %
Sterling	87.4	-24.4
U.S Dollar	68.5	-9.7
Canadian Dollar	105.4	+2.0
Austrian Schilling	110.0	+12.1
Belgian Franc	111.1	-2.3
Danish Krone	110.9	+5.4
Deutsche Mark	118.8	+24.9
Swiss Franc	110.3	+17.9
Guilder	114.8	+16.7
French Franc	104.9	-11.6
Lira	101.8	-17.9
Yen	118.7	+46.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Apr.20 .

OTHER CURRENCIES

[illegible]

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Apr.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6335 - 1.6375	1.6360 - 1.6370	0.88-0.86cpm	6.38	2.57-2.54pm	6.25
Canada	1.8950 - 1.9030	1.8985 - 1.8995	0.31-0.23cpm	1.71	0.77-0.65pm	1.49
Netherlands	3.11½ - 3.12½	3.11¾ - 3.12¾	1¾-1⅝cpm	6.48	5-4⅞pm	6.32
Belgium	57.20 - 57.50	57.30 - 57.40	32-21cpm	5.54	77-59pm	4.74
Denmark	10.53¾ - 10.58½	10.55½ - 10.56½	3⅜-2⅞orepm	3.55	10⅜-9½pm	3.86
Ireland	1.0295 - 1.0385	1.0345 - 1.0355	0.33-0.28ppm	3.54	0.89-0.79pm	3.25
W Germany	2.76¾ - 2.78	2.77½ - 2.78	1⅝-1½pfpm	6.75	4⅝-4½pm	6.57
Portugal	244.35 - 245.65	244.50 - 245.50	18-1cpm	-0.47	56-87cdis	-1.18
Spain	174.45 - 175.25	174.70 - 175.00	18-7cpm	0.86	42-28pm	0.80
Italy	2032¾ - 2039¾	2037 - 2038	7-5½lirepm	3.68	17-14½pm	3.09
Norway	10.71¾ - 10.75½	10.73½ - 10.74½	3⅛-2⅝orepm	3.07	8-7pm	2.79
France	9.29¾ - 9.33¼	9.31½ - 9.32½	4-3⅞cpm	5.07	12-11¼pm	5.10
Sweden	10.01¾ - 10.06	10.03½ - 10.04½	1⅝-1¼orepm	1.65	4½-3⅝pm	1.62
Japan	257¼ - 258½	257½ - 258½	1¾-1⅝ypm	7.86	4⅞-4¾pm	7.47
Austria	19.48 - 19.56	19.53 - 19.56	10½-9½gropm	6.14	30-28½pm	5.95
Switzerland	2.43¼ - 2.44¾	2.43¾ - 2.44¾	1¼-1cpm	5.23	3⅜-3¼pm	5.43
ECU	1.3560 - 1.3700	1.3690 - 1.3700	0.51-0.48cpm	4.37	1.51-1.46pm	4.37

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.05-5.00cpm 12 month 9.32-9.22cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6335 - 1.6375	1.6360 - 1.6370	0.88-0.86cpm	6.38	2.57-2.54pm	6.25
Ireland†	1.5780 - 1.5850	1.5800 - 1.5810	0.40-0.35ppm	2.85	1.30-1.20pm	3.16
Canada	1.1590 - 1.1630	1.1605 - 1.1615	0.44-0.47cdis	-4.70	1.40-1.45dis	-4.91
Netherlands	1.9025 - 1.9120	1.9080 - 1.9090	0.02dis-parcpm	0.06	0.03dis-parcpm	0.03
Belgium	34.90 - 35.15	35.00 - 35.10	2.00-8.00cdis	-1.71	9.00-19.00dis	-1.60
Denmark	6.43¾ - 6.46¾	6.45 - 6.45½	1.45-1.65oredis	-2.83	3.75-4.45dis	-2.54
W. Germany	1.6910 - 1.7000	1.6965 - 1.6975	0.07-0.05pfpm	0.42	0.14-0.11pm	0.29
Portugal	149.80 - 149.90	149.80 - 149.90	80-90cdis	-6.81	280-295dis	-7.67
Spain	106.30 - 107.10	106.95 - 107.05	47-53cdis	-5.62	145-155dis	-5.62
Italy	1242 - 1247	1244¾ - 1245¾	2.90-3.90liredis	-3.28	9.50-11.00dis	-3.29
Norway	6.55 - 6.57¼	6.56 - 6.56½	1.70-2.05oredis	-3.43	5.65-6.15dis	-3.59
France	5.68 - 5.70¾	5.69¼ - 5.69¾	0.57-0.62cdis	-1.25	1.74-1.82dis	-1.25
Sweden	6.12¾ - 6.14¾	6.13¼ - 6.13¾	2.35-2.50oredis	-4.74	7.20-7.55dis	-4.81
Japan	157.20 - 157.70	157.60 - 157.70	0.17-0.15ypm	1.22	0.49-0.46pm	1.21
Austria	11.90¾ - 11.96	11.94½ - 11.95	par-0.40grodis	-0.20	0.20-1.30dis	-0.25
Switzerland	1.4855 - 1.4940	1.4925 - 1.4935	0.14-0.17cdis	-1.25	0.31-0.37dis	-0.91
ECU	1.2040 - 1.2095	1.2065 - 1.2075	0.21-0.20cpm	2.04	0.60-0.57pm	1.94

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.3340	+0.39	+0.55	±1.5508
Danish Krone	7.79845	7.78873	-0.12	+0.04	±1.6453
German D-Mark	2.04446	2.04808	+0.18	+0.34	±1.1762
French Franc	6.85684	6.87358	+0.24	+0.40	±1.3618
Dutch Guilder	2.30358	2.30386	+0.01	+0.17	±1.5272
Irish Punt	0.763159	0.763286	+0.02	+0.18	±1.6689
Italian Lira	1529.70	1502.85	-1.76	-1.60	±1.5162
Spanish Peseta	132.889	129.002	-2.92	-2.92	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE BUND FUTURES OPTIONS

[illegible]

LIFFE EURODMARK OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int.
June	90.02	89.98	-0.05	90.02	89.93	10.02	15,713
September	90.01	89.99	-0.03	90.01	89.93	10.01	6,199
December	89.97	89.97	-0.01	89.98	89.95	10.03	2,337
March	-	-	-	-	-	-	114

Estimated volume 7,218 Total Open Interest 24,363

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
April	2140.0	2088.0	-61.0	2140.0	2087.0	5,652
May	2140.0	2095.0	-60.0	2143.0	2093.0	1,616
June	2140.0	2120.0	-35.0	2143.0	2120.0	223
September	-	-	-	-	-	10

Estimated volume 8,892 Total Open Interest 7,501

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc	16½	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williams Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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MONEY MARKETS

London rates steady

A FIRM pound kept interest rates steady in London yesterday. There was little reaction on the money market to news that sterling M4 bank lending rose by £9.2bn in March, against expectations of around £8.4bn. Annualised growth of 6.3 per cent in M0 money supply was in line with most forecasts. Three-month interbank was unchanged at 15 11/16-15 9/16 per cent, and 12-month money was quoted at 15 13/16-15¾ per cent, against 15 13/16-15 11/16 on Friday.

Short sterling futures showed little change on Liffe, in spite of nervousness caused by the inflationary implications of the UK money supply figures. September short sterling opened slightly higher at 84.81, but this was the day's high. The contract touched a low of 84.72, before closing at 84.80, unchanged from Friday.

Credit remained in short supply on the London money market. The Bank of England initially forecast a day-to-day shortage of £950m, but revised this to £900m at noon, and back to £950m in the afternoon.

An early round of assistance was offered, and at that time the authorities bought £350m bank bills outright, in band 1 at 14⅞ per cent. Before lunch another £288m bills were purchased, by way of £70m bank bills in band 1 at 14⅞ per cent; £60m Treasury bills in band 2 at 14¾ per cent; and £158m bank bills in band 2 at 14¾ per cent.

In the afternoon the Bank of England bought £117m bills, via £39m Treasury bills in band 2 at 14¾ per cent and £78m bank bills in band 2 at 14¾ per cent. Late assistance of around £105m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £2,023m. This outweighed Exchequer transactions adding £450m to liquidity, a fall in the note circulation of £555m, and bank balances above target of £70m.

In Frankfurt call money firmed to 7.80 from 7.70 per cent. Tax payments drained funds from the money market, but this was partly offset by funds flowing back from the transfer of Bundesbank profits to the Government. Conditions were confused because a technical problem at one of the Bundesbank's regional centres meant there was no up-to-date information on banks reserve holdings. The last figure on reserve holdings was DM63.3bn, against expectations of around DM59bn for the whole month.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

COMPANY NOTICES

BOSTON EQUITY INVESTMENT FUND, SICAV
Société d'Investissement à capital variable
R.C. Luxembourg B 28254
NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of BOSTON EQUITY MANAGEMENT FUND, SICAV shall be held at the Registered Office of the Company in Luxembourg, 41, Bvd Royal on

Thursday, May 10, 1990 at 3 p.m.

for the purpose of considering the following agenda :

1. To receive and adopt the Management Report of the Directors and the Report of the Authorized Auditor for the year ended December 31, 1989.
2. To receive and adopt the Annual Accounts for the year ended December 31, 1989.
3. To release the directors and the Authorized Auditor in respect with the performance of their duties during the fiscal year.
4. To decide the appropriation of the earnings.
5. To appoint the Directors and the Authorized Auditor.
6. To transact any other business.

The resolutions shall be carried by a majority of those present or represented.

The shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the Registered Office of the Company at least 48 hours before the meeting.

By order of the Board of Directors
Camille J. Paulus
Director

BOSTON US GOVERNMENT INCOME FUND, SICAV.
Société d'Investissement à capital variable
R.C. Luxembourg B 28479
NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of BOSTON US GOVERNMENT INCOME FUND, SICAV shall be held at the Registered Office of the Company in Luxembourg, 41, Bvd Royal on thursday, May 10, 1990 at 4 p.m. for the purpose of considering the following agenda :

1. To receive and adopt the Management Report of the Directors and the Report of the Authorized Auditor for the year ended December 31, 1989.
2. To receive and adopt the Annual Accounts for the year ended December 31, 1989.
3. To release the directors and the Authorized Auditor in respect with the performance of their duties during the fiscal year.
4. To decide the appropriation of the earnings.
5. To appoint the Directors and the Authorized Auditor.
6. To transact any other business.

The resolutions shall be carried by a majority of those present or represented.

The shareholders on record at the date of the meeting are entitled to vote or give proxies.

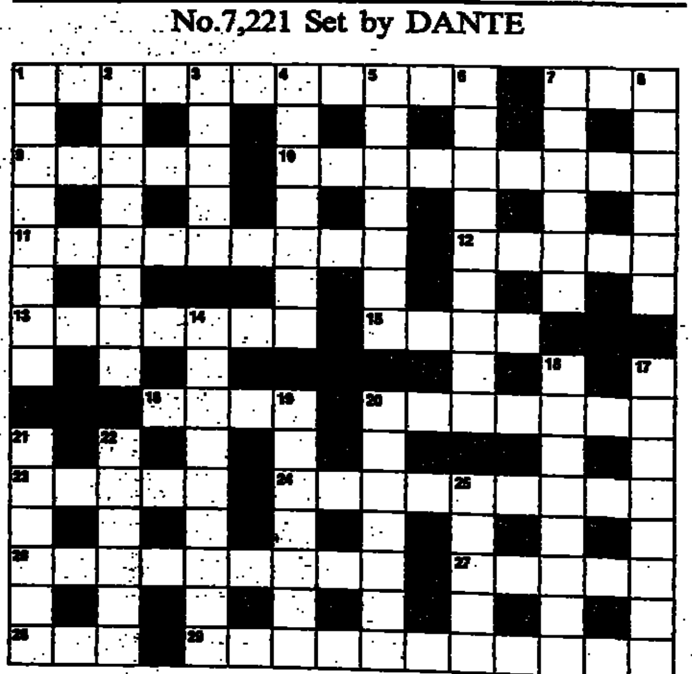
Proxies should arrive at the Registered Office of the Company at least 48 hours before the meeting.

By order of the Board of Directors
Camille J. Paulus
Director

JOTTER PAD

CROSSWORD

No.7,221 Set by DANTE



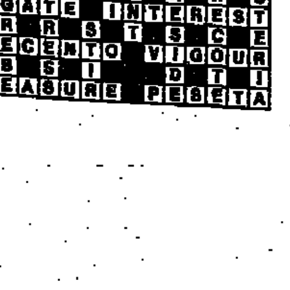
ACROSS

1 Something put on a petition (11)
7 Pen mate (3)
9 Draw a small amount (5)
10 Appeal to a charlady to confess? (4,5)
11 Nurseryman's guarded forecast about hawthorn? (9)
12 A right to be different from others (5)
13 Anything in New York is slightly wicked (7)
15 Ancient Mariner's story brought back by an Arab prince (4)
18 Goddess lives again (4)
20 Broken romance in Italy (7)
23 All right, a sanctimonious creature (5)
24 Sheep cheese (9)
26 See 3 down
27 The doctor's behind with a rough report (5)
28 The old-fashioned way to get money (3)
29 Well content (6,5)

DOWN

1 One metal fused into many (8)
2 Egg-producer's supply at capacity (8)
3, 26 across The best of friends (5,9)
4 A roguish manner to make an entrance (7)
5 Put into liquidation? (7)
6 Stone fruit aren't nice cut up (9)
7 Believe one side of the account (6)
8 Fruit for a bachelor girl (6)
14 All being well, they should be empty (9)
16 Agree to get less (8)
17 He has a telling part in play (8)
19 At least he's private (7)
20 There's possibly nigh on a hundred worn in the hair (7)
21 Slightly sensitive? (6)
22 Private servant? (6)
25 Note down new present (6)

Solution to Puzzle No.7,220



WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · ITALY (continued) · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

4pm prices April 23

[illegible]

MONTREAL

4pm prices April 23

[illegible]

Total Sales 5,033,732 shares.

INDICES

NEW YORK

DOW JONES	Apr 23	Apr 20	Apr 19	Apr 18	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2666.67	2695.95	2711.94	2732.88	2810.15 (2/1)	2543.24 (30/1)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	89.46	89.76	89.94	89.91	93.04 (3/1)	89.46 (23/4)	—	—
Transport	1141.36	1154.87	1160.56	1172.12	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	*205.67*	*208.19*	*211.33*	*211.96*	*236.23* (2/1)	*205.67* (23/4)	*236.23* (2/1/90)	*10.50* (8/4/32)

◆Day's High 2690.77 (2722.07) Low 2650.90 (2668.47)

STANDARD AND POOR'S

	Apr 23	Apr 20	Apr 19	Apr 18	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	330.99	335.12	338.09	340.72	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	385.21	389.90	392.74	395.81	411.20 (2/1)	371.92 (30/1)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	26.97	27.37	27.78	28.06	31.87 (3/1)	26.97 (23/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	181.93	184.06	185.57	186.93	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	344.95	347.96	350.73	353.22	382.45 (5/1)	344.95 (23/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	420.08	425.79	429.00	431.52	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Apr 20	Apr 13	Apr 6	year ago (approx.)
Dow Industrial Div. Yield	4.07	-	4.03	3.62

	Apr 18	Apr 11	Apr 4	year ago (approx.)
S & P Industrial div. yield	3.05	3.04	3.05	3.26
S & P Indl. P/E ratio	15.08	15.13	15.09	12.85

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Merrill Lynch	2,854,100	22½	- ¼
Philip Morris	2,068,600	41⅛	+ ⅛
Pansophic	1,758,000	10½	- 5⅛
Gen Electric	1,421,200	64½	- 1
Citicorp (xd)	1,409,500	22⅜	- ½
IBM	1,348,700	109⅜	—
Du Pont	1,270,800	35⅞	- ⅞
Chase Manhattan	1,149,800	27⅛	+ ⅛
Harcourt Brace	1,142,800	3¾	- ¼
Philadel Elect	1,139,800	15¾	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Apr 23	Apr 20	Apr 19
New York	137.057	174.260	152.930
Amex	11.757	11.218	10.734
NASDAQ	(u)	150.319	145.642
Issues Traded	1,973	1,972	1,988
Rises	330	396	489
Falls	1,223	1,076	962
Unchanged	420	500	537
New Highs	4	11	12
New Lows	136	98	70

CANADA

TORONTO	Apr 23	Apr 20	Apr 19	Apr 18	1990 HIGH	1990 LOW
Metals & Minerals	2850.80	2898.20	2946.60	2971.50	3453.05 (4/1)	2850.80 (23/4)
Composite	3344.10	3355.70	3410.70	3476.50	4009.47 (3/1)	3344.10 (23/4)
MONTREAL Portfolio	1726.92	1730.45	1747.71	1782.64	2060.90 (3/1)	1726.92 (23/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr 23	Apr 20	Apr 19	Apr 18	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1483.4	1492.3	1495.0	1501.4	1713.7 (12/1)	1483.4 (23/4)
All Mining (1/1/80)	738.3	743.5	748.0	760.6	860.8 (5/1)	738.3 (23/4)
AUSTRIA						
Credit Aktien (30/12/84)	642.92	659.31	657.81	667.92	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6128.95	6135.45	6122.68	6122.64	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	363.41	364.17	360.32	363.79	380.47 (28/3)	358.77 (2/1)
FINLAND						
Unitas General (1975)	586.3	591.0	592.2	596.9	677.3 (23/1)	586.3 (23/4)
FRANCE						
CAC General (31/12/82)	557.11	550.23	544.45	553.79	557.11 (23/4)	482.94 (26/2)
CAC 40 (31/12/87)	2089.77	2129.32	2097.12	2098.68	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	781.91	798.75	793.40	802.56	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2267.7	2316.2	2340.8	2327.6	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1837.50	1884.33	1878.87	1889.76	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	*3056.86*	*3067.30*	*3067.67*	*3052.35*	*3067.67 (19/4)*	*2738.24 (1/2)*
IRELAND						
ISEQ Overall (4/1/88)	1706.72	1716.45	1707.37	1712.77	1893.10 (22/1)	1706.72 (23/4)
ITALY						
Banca Com. Ital. (1972)	697.24	705.36	707.00	713.01	713.06 (17/4)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	29679.07	29835.44	29945.41	29249.06	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2201.20	2214.16	2213.49	2167.96	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	3549.85	3562.20	3551.43	3524.56	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	532.12	541.88	546.47	550.39	622.20 (20/2)	532.04 (9/4)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	255.8	259.0	258.4	259.7	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	195.2	197.7	197.2	198.6	205.3 (3/1)	184.2 (25/2)
NORWAY						
Oslo SE (2/1/83)	782.29	790.03	788.24	796.29	845.40 (16/3)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1062.85	1075.31	1084.67	1094.52	1160.70 (21/3)	1014.09 (5/3)
SINGAPORE						
SES All-Singapore (2/4/75)	413.34	417.67	419.97	420.58	443.34 (6/2)	413.34 (23/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1762.0‡	1808.0	1833.0	1803.0	2230.0 (16/1)	1762.0 (23/4)
JSE Industrial (28/9/78)	2833.0‡	2869.0	2873.0	2871.0	3211.0 (6/2)	2795.0 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	774.40	767.45	768.31	781.55	928.82 (4/1)	767.45 (20/4)
SPAIN						
Madrid SE (30/12/85)	281.12	277.97	275.66	276.49	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvariden Gen (1/2/37)	1172.4	1172.4	1159.60	1153.50	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(c)	753.9	748.7	752.3	787.2 (11/1)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	9428.63	9292.39	8830.57	8994.40	12495.34 (10/2)	8830.57 (19/4)
THAILAND						
Bangkok SET (30/4/75)	844.55	840.56	834.99	835.90	918.67 (5/1)	760.39 (7/2)
WORLD						
M.S. Capital Intl (1/1/70)	(u)	485.7	487.6	484.3	571.0 (4/1)	468.3 (2/4)

**Saturday Apr. 21: Taiwan Weighted Price: 9365.93 Korea Comp Ex. 780.04

‡ Subject to official recalculation † Correction.

δBase values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday April 23 1900

	Stocks Traded	Closing Prices	Change on day
Sumitomo Hvy	19.8m	855	+10
Isuzu	17.8m	895	-15
Mitsui Eng&Shp	16.8m	940	+10
Nippon Steel	14.4m	660	-8
MHI	7.8m	940	-10
NKK	7.7m	590	+3
Casio	7.2m	1,690	-50
KHI	6.2m	867	+19
Sasebo	5.5m	984	-18
Nippon Mining	5.4m	899	-5

4pm prices April 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	22	AAR	.48	2.2	13	1796	23	d21½	21¾	-1¼
9⅜	8½	ACM n	1.01	12.		152	8¾	d 8⅝	8⅝	- ⅛
11⅝	10¼	ACMIn	1.26	12.		430	10¾	d10¾	10¾	
9⅞	7¼	ACM M	n1.01	13.		334	7¾	7½	7⅝	
12⅝	11⅞	ACMMM				166	11¾	11½	11¾	+ ¼
11½	9⅞	ACM Sc	1.26	13.		z1237	10⅛	10	10	- ⅛
9⅝	8⅜	ACMSp	1.01	12.		666	8⅝	8¼	8⅜	
22⅝	13⅝	AL Lab	.16	.7	20	80	21½	21	21½	+ ½
4⅛	3	AMCA	.12e	3.8	39	26	3⅛	3⅛	3⅛	
6⅛	2⅜	AM Inil			8	481	2½	d 2⅛	2⅛	- ¼
23⅛	13⅜	AM In pf	2	16.		83	13½	13⅜	13⅜	- ⅛
107¼	52½	AMR			12	4571	62¼	62	62	-1⅛
27	25	ANR pf	2.67	10		2	25⅜	25⅜	25⅜	
24⅞	22⅞	ANR pf	2.12	9.2		10	23	23	23	+ ⅛
4⅛	3⅛	ARX				12	3⅝	3½	3⅝	+ ¼
72¼	39	ASA	3a	5.9		909	51¼	49⅞	51	+ ¾
70⅜	53⅜	AbtLab	1.68	2.5	17	2798	66⅞	66¼	66⅜	- ⅜
17¼	11¼	Abitibi g	.50			2	12¾	12¾	12¾	- ⅛
13	8⅞	AcmeC	.40	4.4	10	16	9¼	9	9	
9¼	7⅜	AcmeE	.32	3.8	11	28	8½	8⅛	8½	+ ¼
39½	28⅜	Acusn			22	1735	35½	34¼	34¾	- ⅞
18½	13⅞	AdaEx	2.06e	13.		129	16⅞	15⅝	15⅝	- ¼
15⅜	8⅛	Adobe				252	11½	11⅜	11⅜	- ⅛
20¼	18⅞	Adob pf	1.84	9.8		63	19	18¾	18¾	- ¼
21⅞	19⅞	Adob pf	2.40	12.		16	20¾	20½	20⅝	
10½	6⅞	AMD			18	1626	8⅝	8¼	8⅜	- ¼
35	28¼	AMD pf	3	9.5		48	31½	31½	31½	
10⅛	4⅛	Advest	.16	3.7	55	163	4½	4⅜	4⅜	- ⅛
62½	45⅜	AetnLf	2.76	6.0	8	x2234	46¼	d46⅛	45¾	- ⅜
14	9⅞	AfilPb	.24	2.3		2173	10⅜	10¼	10¼	
25	16⅜	Ahmans	.88	5.4	7	2880	16¾	d16⅛	16¼	- ½
3⅝	1⅞	Aileen				44	2⅜	2¼	2¼	- ⅛
53¼	40	AirPrd	1.32	2.6	13	1663	50⅜	49⅞	49⅞	- ½
48⅝	22⅞	AirbFrt	.60	1.3	18	644	48½	47⅝	47⅞	- ⅛
25⅛	15½	Airgas			15	46	16⅝	16⅜	16⅝	
20¾	16⅝	Airlease	2.40	14.	9	46	17¼	17	17⅛	
23¼	21¼	AlaP	pf2.08e	9.3		390	22⅜	22⅜	22⅜	
10⅛	9	AlaP	dpf.87	9.3		6	9½	9⅜	9⅜	- ⅛
98⅝	89¼	AlaP pf	9	9.7		z300	93	93	93	+ ¾
103½	93¾	AlaP pf	9.44	9.7		z100	98	97⅛	97⅛	- ⅞
93	82¼	AlaP pf	8.16	9.6		z100	85	85	85	-1
30½	19¼	AlskAir	.20	.9	11	946	23⅛	22	22¼	- ⅞
23½	16⅞	Albnyln	.35	2.2	9	1149	16¼	d15½	15⅝	- ¾
26⅝	18⅜	Alberto	s.20	.9	18	96	22¼	21¾	21¾	- ⅞
20¼	15¾	AlCulA	s .20	1.1	14	32	18	17½	17½	- ¾
60⅜	43	Albtsn	.96	1.7	19	624	56	55	55⅛	- ⅞
25⅛	18⅞	Alcan s	1.12	5.7	6	4658	19⅞	19⅜	19½	- ¼
38⅝	28	AlcoStd	.84	2.8	11	328	30⅝	30⅜	30½	+ ⅛
34	24	AlexAlx	1	3.9	18	912	26	25¾	25¾	- ¼
70⅛	45½	Alexdr				23	46⅝	46½	46½	- ½
101⅜	79⅜	AllegCp	1.72t	2.0	9	51	85⅛	84⅞	85	+ ½
1⅜	⅛	vjAlgInt				59	9-16	½	½	
2⅝	5-32	vjAlgl pr				20	9-16	9-16	9-16	-1-16
9	7-16	vjAlI pfC				55	⅞	13-16	13-16	- ⅛
43⅛	32⅜	AlgLud	1.20	2.9	7	567	42¼	41⅛	41⅞	-1
42½	35	AllgPw	3.16	8.5	10	963	37⅝	37¼	37⅜	- ⅜
18⅝	9	AllenG			18	108	13⅞	13½	13½	- ¼
19½	11½	Allen	pf1.75	9.9		16	18	17¼	17⅞	- ¼
25½	12¼	Alrgn n	.12e	.8		606	14⅞	14½	14½	- ¼
17⅞	11⅞	AlnCap	1.60e	11.	17	290	15⅜	15⅛	15⅛	- ¼
12⅛	9¼	AllNEu n				1178	10½	10¼	10⅜	- ¼
25⅜	21½	Allsh	pf2.23	9.7		39	21⅞	21⅝	23	+1¼
27⅝	5⅝	AlldPd			8	102	6	5⅜	5⅞	
40⅞	31⅞	AldSgnl	1.80	5.1	10	1818	35½	35	35⅛	- ⅜
10⅞	10	AlstMu	.78a	7.7		414	10¼	10	10⅛	
10⅜	9¼	AlsMII	.73a	7.6		271	9⅞	9⅝	9⅝	- ⅛
10	10	AlsMIII n				509	u10⅛	10	10	
11⅛	10	AMIO	.84a	8.2		174	10½	10¼	10¼	- ¼
10½	9	AMIO2	n.63	6.7		291	9½	9⅜	9⅜	- ⅛
10	8⅝	AMIO3	n.60	7.1		470	8¾	d 8⅜	8½	- ⅜
9⅞	9	AlsMP	n.69a	7.6		208	9⅛	9	9⅛	+ ⅛
41⅞	26¾	ALTEL	s1.26	4.1	13	734	31½	30⅞	31	- ⅜
78⅝	59¼	Alcoa	1.60a	2.6	7	2147	62⅜	61¾	62	- ¼
20⅛	10⅝	AmaxG	.08	.5	29	234	16½	16	16⅛	- ⅜
29¾	20¼	Amax	.80	3.3	6	7086	24⅞	23⅞	24½	+ ⅛
16⅝	6⅞	AmBas	.20	2.9	2	1051	7	6⅝	6⅞	- ⅛
13⅜	9⅛	Amcast	.48	5.0	14	131	9⅝	9⅜	9⅝	
15⅝	9-16	vjAmdur			1	34	1	15-16	15-16	-1-16
27¼	⅞	vjAmd pf				4	1½	1½	1½	
51⅞	36¼	AmHes	.60	1.3	6	987	45⅛	44⅝	44⅞	- ¼
10¼	10	AmAdj n				39	10¼	10⅛	10⅛	- ⅛
20⅞	9½	ABarck s			57	4071	17⅜	16⅝	17⅛	- ⅛
81⅞	62¼	AmBrnd	2.72	4.3	9	1449	64	63⅛	63⅝	- ½
163¼	127¼	ABrd	pf2.67	2.1		4	728	128	128	-5¾
39½	31⅝	ABldM	.92	2.4	17	45	38	37⅞	37⅞	- ⅛
27	19½	ABusP	s .88	4.0	11	28	22⅜	22¼	22¼	
21⅜	16⅝	ACapBd	2.18e	13.		60	16⅝	d16½	16½	- ⅛
22⅜	18⅞	ACapCv	2.31e	12.		2	19⅛	19⅛	19⅛	+ ⅛
9¾	6½	ACapIn	.96	14.		322	6⅞	6¾	6⅞	+ ⅛
10	8¼	ACMR	.60	7.0	11	7	8⅝	8⅝	8⅝	
60⅜	47	ACyan	1.35	2.7	16	1898	50	49¼	49¼	- ⅞
33⅛	25¼	AEIPw	2.40	8.1	9	8214	29⅞	29½	29½	- ⅜
39⅜	25½	AmExp	.92	3.4	45	10175	28⅛	27⅛	27¼	- ⅞
22½	13⅜	AFamly	.32	2.4	14	699	13¾	13½	13½	- ¼
40¼	28⅛	AGnCp	1.58	4.3	9	6115	36⅞	36¼	36⅜	- ⅜
8¼	7¼	AmGvl	.84a	11.		75	7¾	7⅝	7⅝	
10⅛	9	AGIP	1.06a	11.		252	9½	9⅜	9⅜	
10⅝	9¼	AGTT	1.02	10.		454	10⅛	10	10	- ⅛
24	19¼	AHltPr	2.36	11.	12	462	21	20¾	20¾	- ½
24½	19½	AHeri	s1.02	4.5	12	3	22⅜	22⅜	22⅜	+ ¼
110¼	90¼	AHome	4.30	4.4	13	2906	98⅝	97¾	98⅛	- ⅞
68¼	54½	Amrtch	3.16	5.3	13	1694	60⅛	59⅛	59½	- ⅜
112	78¼	AIntGr	.48	.5	11	2536	95½	93⅛	93⅞	-1⅛
10⅛	9	AOIF n	1	11.		158	9¼	d 8⅞	9	- ¼
40⅞	22¼	APresd	.60	2.5		131	24½	24⅛	24¼	- ⅛
15¼	10¼	AREst	2	18.	6	125	11¼	11	11	- ⅛
9⅜	4	AmRlt	s .80	18.	1	47	4½	4⅛	4½	+ ⅛
17⅞	2¾	ASB	.80	27.		414	3¼	2⅞	3	- ¼
18½	5¾	ASB pf	1.81	30.		16	6⅜	6⅛	6⅛	- ⅛
5⅛	2	AShip				43	2⅜	2⅜	2⅜	
72½	51⅜	AmStor	1.12	1.8	18	375	62⅞	62⅜	62⅜	
47	33½	AT&T	1.32	3.3	16	10317	40⅞	40	40⅜	- ½
19⅝	16½	AmWtr	.80	4.8	11	x122	16⅝	16½	16½	
16	6⅛	AmHotl	8c			28	5¾	d 5⅜	5¾	
52½	35¼	Ameron	1.28	2.5	14	127	51½	50¼	50½	- ½
20	1½	AmeDp	.05j			3857	2	1⅞	1⅞	- ⅛
15⅞	11½	Ametek	.64	4.8	15	328	13¼	12⅞	13¼	+ ⅜
11	9¼	AmevSc	1.06	11.		29	9⅜	9¼	9¼	
56⅝	41⅞	Amoco	2.04	4.1	16	4149	50⅞	50⅛	50⅛	- ⅜
53⅝	40	AMP	1.36	2.7	19	1904	50⅞	50	50⅛	- ⅞
15⅞	8⅞	Ampco	.30	3.1	10	162	9⅞	9½	9⅝	+ ⅛
9½	5⅜	Amre	.08	1.4		337	5⅜	5½	5⅜	+ ⅛
8⅜	5⅝	Amrep				60	6⅞	6⅞	6⅞	
29⅛	21⅜	AmSth	1.40	6.4	8	233	21⅞	d21½	21⅞	+ ⅛
7½	2½	Anacmp			9	622	2⅜	2⅝	2⅜	+ ⅛
38½	27¼	Anadrk	.30	.9	35	511	32⅜	32⅛	32⅛	- ⅛
11⅞	6¾	Analog			18	1430	7¼	7	7	- ⅛
31⅝	22½	Angelic	.80	2.8	14	17	28¾	28⅛	28⅛	
48	34	Anheus	.88	2.4	14	2165	36⅝	36⅛	36½	- ¼
26½	10¼	Anthem			15	1000	25⅛	24	24⅝	- ⅜
20⅝	11⅜	Anthny	s.44b	3.8	7	154	11⅝	d11	11⅝	- ¼
43¼	31	Aon cp	1.52	4.4	10	340	35⅛	34⅛	34¾	-1¼
18⅜	10⅛	Apache	.28	2.0	22	1405	14⅝	13⅞	14⅛	- ⅜
12⅜	10⅜	Apex n	.91	8.1		201	11¼	11⅛	11¼	
44⅜	30⅝	ApplBc	.70e	1.7	9	190	42⅞	42⅛	42⅜	- ⅜
14	7⅜	ApplMg				195	10⅞	10¾	10⅞	- ⅛
24⅜	17⅜	ArchD	s .10	.5	13	4690	22	21½	21¾	- ¼
40⅞	32¾	ArcoCh	2.50	6.9	9	381	36⅝	36¼	36⅜	
13¼	7⅜	ArcAlsk			9	89	7⅜	d 7¼	7¼	- ⅛
23¼	16	ArkEx n			53	184	16⅞	16⅜	16⅜	- ½
27¾	21⅝	Arkla	1.08	4.9		1016	22¼	21⅞	22	- ¼
51	43¾	Arkla pf	3	6.9		48	44½	d43½	43½	-1½
13½	8⅝	Armco	.40	4.6	5	2626	8⅞	8¾	8¾	- ⅛
24⅝	21⅛	Armc	pf2.10	9.8		1	21½	21½	21½	- ¼
60⅞	31¾	ArmWI	1.06	3.2	9	669	33¾	32⅝	33⅝	+1
6¼	3⅛	ArowE				262	6½	5¼	5⅜	+ ⅛
14½	8¼	ArwE	pf1.94	16.		29	13⅜	13⅛	13⅜	+ ¼
24¼	9	Artra				122	9⅜	8⅝	9⅜	
26⅜	13½	Arvin	.68	4.5	28	103	15⅜	15⅛	15⅛	- ⅛
35⅞	25⅛	Asarco	1.60	6.2	5	1135	26	d25½	25⅝	- ½
19½	13⅝	AsCoal	.32	1.7	13	218	19	18¾	19	
42⅞	34	AshOil	1	2.8	32	859	36⅛	35½	35½	- ⅜
22½	8⅞	AsiaPc	.18e	1.5		330	12⅛	11⅞	12	
10⅛	6½	AsetInv	1.55e	22.	5	176	7⅛	6⅞	7	- ¼
21¼	11¼	AsdNG	.03e	.2		280	17	16¾	16¾	
23⅛	11½	Athlne	1	7.0	8	121	14⅜	14⅜	14⅜	- ½
30¾	23⅞	AtlGas	1.96	7.0	13	304	28¼	28⅛	28⅛	- ⅛
39¾	32½	AtlEnrg	2.88	8.0	10	361	35⅞	35⅝	35⅞	- ⅛
118⅜	88⅜	AtlRich	5	4.4	12	3385	114⅛	112¾	112¾	-1⅞
279¾	211⅞	AtlRc	pr2.80	1.0		3	271⅞	270¾	270¾	-1¼
18½	10¾	Atlas			14	100	14⅝	13⅜	13⅜	-1⅛
18¾	14⅝	ATMOS	1.16	6.6	12	31	17¼	17½	17½	- ¼
5	3	AudVd				5	3⅜	3⅜	3⅜	
15⅜	11½	Augat	.40	3.4	14	220	12	11⅞	11⅞	
24⅜	10¼	Auctr n	.07e	.5		254	13⅝	13¼	13¼	- ½
64¼	37¾	AutoDt	.60	1.2	18	950	51⅛	50⅜	50¾	- ⅛
27½	20⅜	AVMCO	.40	1.7	16	13	23⅞	23⅞	23⅞	
33¼	23⅛	Avery	.64	2.4	13	670	27⅛	26¼	26¼	- ⅜
33½	22¼	Avnet	.60	2.1	17	712	29⅝	29¼	29¼	- ⅜
41¼	24⅞	Avon	1	2.8	17	4650	35⅝	35¼	35¼	- ⅝
33½	23½	Avon pf	2	7.3		352	27⅝	27⅜	27½	- ¼
21⅜	13⅝	Aydin	1e	6.4	9	179	16¼	15⅝	15⅝	- ⅜
		- B - B - B -								
40	30⅝	BCE g	2.52	7.7		2735	33	32⅝	32⅝	- ¼
20½	14⅜	BET	.90e	6.2	8	15	14½	14½	14½	
10¼	6⅛	BMC			8	68	7⅜	7½	7½	- ⅛
30⅞	25½	BP Pr	n2.77e	10.		571	27⅜	27¼	27¼	+ ¼
31⅞	26	BRE	2.40	8.8	7	29	27½	26⅞	27⅛	+ ⅝
18	8⅜	BRT	2.12e	22.	4	29	9⅞	9⅝	9⅝	- ¼
24	5⅜	Bairnco	1	15.	16	559	6⅞	6⅝	6⅛	
24⅞	19¼	BakrF	s3.56e	18		62	19½	19⅜	19⅜	
29	16⅞	BakrHu	.46	1.8	35	3278	25½	25¼	25½	- ⅛
60	45⅜	BkrH	pf3.50	6.2		10	57⅛	55½	56½	- ½
24½	17⅝	Baldor	s .48	2.4	15	217	20¼	19⅞	20¼	+ ¾
34½	26	Ball	1.12	3.6	21	138	30⅞	30½	30¾	
29¾	10¼	BallyMf	.30	2.7	17	1531	11¼	11	11	- ½
15¼	9½	BaltBcp	.55	5.2	8	120	10⅝	10⅜	10⅝	+ ⅛
34⅞	29⅛	BaltGE	2.10	7.3	9	1027	29¼	d28¾	28⅞	- ⅜
33⅝	22¼	BncOne	1.04b	3.8	11	1171	27⅝	27⅛	27⅜	- ⅜
12	5⅜	BncFla			134	23	5⅜	d 5¼	5⅜	
35⅞	25½	BcBilV	1.10	3.8		50	28⅞	28¾	28⅞	
22½	18½	BncCtrl	.59e	3.0	8	7	19¾	19½	19½	- ⅛
11-16	⅛	BanTex				50	5-16	5-16	5-16	+1-32
89¼	71⅜	Bandag	1	1.2	15	210	81⅛	79¾	80⅛	- ⅞
30⅝	11	BkBost	1.24	11.	15	7289	12¼	11⅛	11¾	+ ⅞
39	28⅞	BkB	pfA3.42e	12.		8	28½	d28¼	28⅛	- ⅜
39	27	BkB	pfB3.29e	12.		77	27¼	d26	27¼	+ ¼
23⅞	2½	BkNE				1489	3¼	3⅝	3⅝	
56	29¼	BkNY	2.12	6.8	157	3239	31½	31¼	31⅜	- ⅜
36⅜	23¼	BnkAm	1	3.7	5	4796	27½	27¼	27¼	- ¼
38⅛	34¼	BkA	pf3.40e	9.3		232	36¾	36	36⅜	+ ¼
65⅞	58½	BkA pf	6e	9.8		11	61½	61⅛	61½	
6⅞	4½	BkA pf	2.25			74	4⅞	4¾	4¾	- ⅛
58¼	35¼	BankTr	2.33	6.5		1432	35⅞	35½	35¾	+ ¼
17⅛	10⅜	Banner	s			89	12¾	12⅝	12⅝	- ⅛
39½	26⅜	Barclay	1.97e	5.8	5	10	34⅛	34⅛	34⅛	-1⅛
26⅛	24	BarB	pr2.78	11.		137	24⅞	24½	24⅞	

Continued on Page 53

NYSE COMPOSITE PRICES

Continued from previous Page

NASDAQ NATIONAL MARKET

3pm prices April 23

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices April 23

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Presd B		156	20	6¼	6¼	6¼	- ⅛
Presd A	.10		86	5⅞	5¾	5¾	- ¼
ProCm s			107	4½	4½	4½	
Prism		12	68	3⅜	3¼	3¼	- ⅛
ProMed	.42	13	20	5½	5⅜	5⅜	- ⅛
ProfCre		13	91	5	4¾	5	
– R – R –							
RSW		9	40	6⅜	6¼	6¼	- ¼
ReCap		12	200	14¼	14	14¼	+ ⅛
Riedel		134	19	11	10¾	10¾	- ⅜
Rogers	.12	38	23	22	22	22	
Rudick	.40a	12	76	27¼	27	27¼	+ ⅛
– S – S –							
SJW	1.86	17	2	24¾	24¾	24¾	+ ¼
Salem		6	6	8⅞	8¾	8¾	- ¼
SbdCp	.50	11	0	132	132	132	-2
SikesA	.24	16	8287	18¼	16¼	16⅛	+3⅞
SoUCo n			178	15⅝	14¾	15	- ⅞
Spelleg		26	362	7¾	7¼	7¼	- ⅝
SterlEl	.06e	68	13	2¾	2⅝	2⅝	
Synaloy	.40	5	31	8¼	8	8	- ⅛
– T – T –							
TIE			350	11-16	⅝	⅝	
TII			13	1	1	1	
TabPrd	.20	18	98	13¾	13⅝	13⅝	- ⅛

AMERICA

Interest rate concerns keep pressure on Dow

Wall Street

CONCERNS ABOUT rising interest rates kept pressure on the US equity market yesterday with price falls exacerbated by selling related to stock index arbitrage, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 29.28 points lower at 2,666.67 on a sluggish volume of 137m. On Friday the Dow had plunged nearly 40 points before rebounding to close 15.99 points lower at 2,695.95.

The selling yesterday, albeit in low volume, was broadly-based. The American Stock Exchange Composite index was quoted 3.01 points lower at 344.95 and the Nasdaq Composite index of over-the-counter shares was quoted sharply lower, down 5.71 points at 420.08.

Dominating the market is concern about the outlook for interest rates. Last week's plunge in the Treasury bond market of 3¼ points, which took yields to their highest level in almost a year, has made stocks significantly less attractive to investors. Rising long-dated bond yields reflect higher inflation expectations and an anticipation that monetary policy may be tightened.

There has been no sign as yet of any official response from the Fed to last week's disappointing news that consumer prices added 0.5 per cent in March with Federal Funds trading around their 8¼ per cent target. However, even before the latest batch of economic statistics showing something of a rebound in economic activity and persistent inflation pressures, there was a camp within the Fed which favoured a tendency towards tighter policy.

Yesterday, Mr Manuel Johnson, Fed vice chairman, said that he saw signs of a pick-up in economic activity and said that this was a time to be cautious. He also termed last week's consumer prices figures disappointing. One of the few aspects of the economy which has been seen as a justification for easier interest rates is talk about a new reluctance to lend by banks. Mr Johnson called concerns about a credit crunch "hysteria".

Both stock and bond markets are waiting this week for Friday's advance report on first quarter gross national product with the consensus forecast for a gain of 2.3 per cent compared with growth in the final quarter of last year of 1.1 per cent. The bond market was modestly lower again yesterday which helped put pressure on stocks. In late trading, the Treasury's benchmark long bond was quoted ¼ point lower to yield 8.95 per cent.

Companies continued to release their quarterly earnings yesterday. Among those reporting yesterday was Time-Warner which fell $1¾ to $92¾ after it announced a net loss of $51m in the first quarter, mostly due to interest expenses related to Time's acquisition of Warner Communications.

McDonnell Douglas slumped $3⅞ to $51¼ in the wake of news after the market closed on Friday of a 98 per cent plunge in net income in the first quarter from a year earlier when results were boosted by an accounting change.

Storage Technology added $1⅞ to $22⅞ on a favourable reaction to news of operating net income in the first quarter of 34 cents a share, up from 6 cents a share a year ago.

Handleman slumped $3⅝ to $14⅝ after the company said that it expected to report net income of 8 cents to 15 cents a share compared with 33 cents a share a year ago.

Merck fell $1 to $73⅞ after the company said that it proposed to make prescription drugs available to Medicaid patients at lower prices.

On the over-the-counter market, Digital Microwave collapsed $13⅞ to $14¼ after the company's statement late on Friday that it expected its fourth quarter profits to be much lower than the 28 cents a share it earned a year ago.

Canada

SHARE prices in Toronto continued the declines registered over the past two weeks but yesterday's drop was not as severe, with trading slow.

The composite index, which had been down about 25 points *earlier yesterday and fell 54.99* on Friday, lost 11.44 to 3,344.07. Declines outnumbered advances 476 to 180 and volume of 22.67m worth C$284.3m was down from Friday's 30.66m shares worth C$441.7

Ten of the 14 sub groups were lower, with an index decline of more than 1 per cent for mining issues. Consumer products shares were off 0.94 per cent.

EUROPE

Frankfurt falls after monetary union move

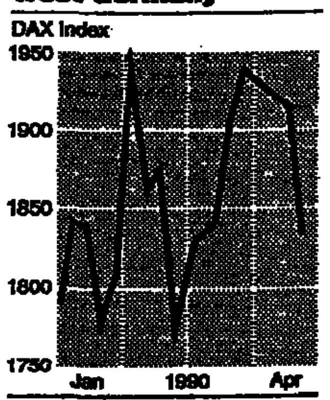
POLITICAL and economic concern about the price of German monetary union pushed Frankfurt down 2.5 per cent, and had a domino effect on other bourses with the exception of Spain, *writes Our Markets Staff.* Zurich was closed for a local holiday.

FRANKFURT suffered its biggest one-day decline since January on the news that the Government planned to convert East German Marks into D-Marks at a more favourable rate than the Bundesbank had proposed. There were also fears of growing militancy by IG Metall, the powerful metalworkers' union, which is seeking higher wages and shorter working hours.

The DAX fell to a low of 1,832.38 before closing 46.83, or 2.5 per cent, down at 1,837.50, its biggest drop since January 16 when it fell 2.9 per cent. The FAZ, calculated at midsession, fell 16.84 to 781.91. Turnover rose to DM5.9bn from DM5.1bn on Friday.

Daimler led the market lower, dropping DM39.50 to DM858.80 after several newspaper articles about its 1989 earnings. It was the most actively traded stock, with 750,092 shares changing hands.

West Germany



One magazine, Manager, reported that Daimler's 1989 operating profit had been cut in half to DM600m last year. Another magazine, Der Spiegel, said operating profit had fallen 30 per cent to DM1bn from DM1.4bn, because of a poor year for its auto and electronics divisions. Daimler, which does not publish operating profits, denied the reports. The company announces group profits on May 15.

A report in the Stuttgarter Nachrichten newspaper that Mr Edzard Reuter, Daimler chairman, had said the company would lock out workers if the IG Metall struck at its factories, also dampened sentiment. After the market closed, the union said that it would stage warnings strikes at two Daimler plants next Monday.

Fears that the Bundesbank would soon tighten monetary policy hit the banks, with Deutsche falling DM23 to DM764 and Dresdner losing DM9.50 to DM411.50. Siemens fell DM16.50 to DM746.50.

Against the trend, Feldmühle Nobel rose DM5 to DM530 after announcing a one-for-seven rights issue.

PARIS began the new monthly account with a sharp decline after finishing the April account at a record. Profit-taking and the taking of positions at the start of the account pulled the CAC 40 index down 39.55, or 1.9 per cent, to 2,089.77, after its 32.20-point rise on Friday. Declines on Wall Street and in Frankfurt weighed on sentiment.

Active blue chips in retreat included Saint Gobain, the construction group, which dropped FFr31 to FFr632, while L'Oréal fell FFr190 to FFr5,190 and food company BSN lost FFr28 to FFr815.

Bucking the trend, Eurotunnel gained FFr1.90 to FFr55.75 after saying that it planned to raise up to £2.5bn from banks and shareholders to finance the Channel tunnel project, and high-technology stock Thomson gained FFr49 to FFr1,239. Overall turnover was estimated at FFr3bn.

MADRID retained the strength it showed late on Friday on the news that the Government had given Banesto tax relief worth Pta19.2bn. The general index gained 4.33, or 1.5 per cent, to 282.30 by the end of the pit session, slipping to 281.12 in continuous trading. Banesto rose Pta240, before closing at Pta4,200, up Pta50, in the continuous session.

MILAN fell in sympathy with Frankfurt in dull trading. Volumes were expected to remain low before Wednesday's Liberation holiday and as the May local elections drew near. The Comit index lost 8.12 to 697.24.

Telecommunications stock Stet fell L180 to L5,550 and Olivetti dropped L138 to L7,215, easing to L7,185 after hours.

AMSTERDAM followed Frankfurt lower in quiet trade and the CBS tendency index dropped 2.2 to 117. Among the multinationals, Unilever certificates fell Fl 3.20 to Fl 143.40 as speculation that its first quarter earnings would disappoint became more widespread, and Philips lost 90 cents to Fl 39.20. Transport group Nedlloyd continued to fall after its disappointing results last week, easing Fl 2.20 to Fl 91.50.

STOCKHOLM saw the free B shares in building and cement company Euroc gain 15 per cent, up SKr30 to SKr230, on speculation that a planned bridge between Sweden and Denmark, announced by the Swedish Government on Friday, could lead to huge profits as Euroc owns the land on the Swedish shore.

The Affärsvärlden General index was steady at 1,172.4 on low turnover of SKr205m.

SOUTH AFRICA

GOLD STOCKS fell further in Johannesburg yesterday as political and economic worries continued to weigh on the market.

Trading was mostly thin. The JSE Gold index declined 46 points to a preliminary close of 1,762, while the overall index fell 60 to 3,033.

Among gold shares, Southvaal dropped R7 to R154 and Randfontein lost R2.25 to R21.25. Diamond stock De Beers eased R1.25 to R84 and platinum miner Rustenburg shed R1 to R76.50.

ASIA PACIFIC

Caution ensures a tight rein on trading

Tokyo

THE MARKET began the week on a dull note yesterday, with professionals unable to lend support at the end of the month's trading and investors wary in the face of weakness on Wall Street. Share prices retreated in very quiet trading, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average showed resilience in early trading, supported by firmness in the yen. But by mid-morning, the index went into reverse as buying fizzled out. After falling to a low of 29,520.63, it recovered some losses and closed down 156.37 at 29,679.07. The day's high was 29,953.41. Declines outpaced advances by 583 to 357 while 169 were unchanged.

Turnover slumped to 330m shares, down from 700m on Friday. The broad-based Topix index lost 12.96 to 2,201.20 and, in London trading, the ISE/Nikkei 50 index eased 1.21 to 1,698.49.

This sluggishness is normal at the beginning of the week, particularly as trading for settlement within the month winds to a close. Today is the last day of trading for settlement in April. Concern about inflationary signs in the US contributed to cautiousness.

None the less, market sentiment was said to be showing signs of improvement. "The fear that after a rise, the market would see a bout of selling – *is receding,*" *said* Mr Masami Okuma at UBS Phillips and Drew Securities.

Profit-taking took its toll on recent winners. Isuzu, the auto maker, was second in volume with 17.8m shares and lost Y15 to Y995. It had been bought on news of a large capacity battery developed by Isuzu.

TDK, the magnetic film maker which had been pursued *on good earnings and its parts* production for high definition television, fell Y90 to Y6,810.

Buying focused on heavy industries, with Sumitomo Heavy Industry a favourite. At the top of the volumes list with 19.8m shares, it closed up Y10 at Y955. Enthusiasm for Sumitomo stemmed from news that it had won contracts for its double-hulled tankers. Mitsui Engineering and Shipbuilding, third in volume with 16.6m shares, gained Y10 to Y940.

Share prices in Osaka eased for the first time in four trading days. The OSE average dipped 129.36 to 31,786.22. Volume declined to 19.7m shares from 46.6m on Friday.

Roundup

TOKYO'S weakness and several holidays this week kept investors in the Pacific rim markets close to the sidelines.

HONG KONG edged lower after last week's big gains, with utility and property shares bearing the brunt of the downturn. The Hang Seng *index lost 10.44 to 3,056.86 and* turnover declined to HK$1.33bn from HK$1.55bn on Friday.

New World Development gained 10 cents to HK$11 on news that it had agreed to sell 17 of its Ramada hotels in the US for US$183m.

SINGAPORE lacked fresh *incentives and fell in* thin turnover. Trading was expected to remain lacklustre before Thursday's holiday. The Straits Times industrial index fell 15.95 to 1,504.61.

MetaLock, the engineering group, eased 6 cents to S$3.04 after a block of 23.99 per cent, worth about S$17.5m out of a total market turnover of S$81m yesterday, was crossed at S$3.05.

TAIWAN reversed early losses to end higher on late bargain-hunting. The weighted index, which rose 73.54 on Saturday, added 62.70 to 9,428.63.

AUSTRALIA fell for the third consecutive session, depressed by weakness in Wall Street and Tokyo and a firm domestic dollar. The All Ordinaries index fell 8.9 to 1,483.4.

SEOUL started late because of a computer failure, ending lower as rumours that the Government planned to slash taxes on stock transactions to 0.2 per cent from 0.5 per cent were not confirmed. The composite index fell 5.64 to 774.40.

Spain picks up as inflation slows

By Antonia Sharpe

BETTER-than-expected Spanish inflation figures for March last week triggered the first serious gains on the bolsa since the general elections late last year. Across the Atlantic, however, Toronto was pulled lower by poor corporate results from the export-oriented forestry product companies.

Based on the FT-World Actuaries indices, the Spanish bolsa rose 4.4 per cent last week in local currency terms, narrowing its decline since the start of the year to 8.26 per cent, compared with a fall of 16.25 per cent by mid-April. Investor confidence was bolstered by the small 0.4 per cent rise in March consumer prices, which took the annual rate down to 7.0 per cent from 7.3 per cent in February, says Mr Stephen Hughes at Nikko Securities. Signs of a recovery by banking stocks, which had underperformed since last summer because of high-street rivalry over interest-yielding current accounts, also lifted the market.

Madrid's recovery was accompanied by increased volumes. Daily turnover reached Pta19.8bn ($185m) on Friday, a level not seen for six months, compared with daily volumes of between Pta8bn and Pta10bn ($74-93m) in the first quarter. "International investors are looking around for alternatives to West Germany and France, and Spain seems a natural progression," says Mr Hughes.

Germany fell 1.15 per cent last week on concerns about the political and economic consequences of monetary union while France, which reached *record highs, rose 0.87 per cent,* taking its gain over the last four weeks to 7.39 per cent.

Sweden was the other European market to show healthy gains. Stockholm rose 4 per cent on the week, lifted mainly by investor demand for Ericsson, the telecommunications company, and Astra, which makes the anti-ulcer drug, Losec.

Canada, which has fallen 13.33 per cent since the start of the year because of record high interest rates and a strong Canadian dollar, dropped 5.22 per cent last week on confirmation that these factors were hurting corporate earnings. "The poor results from CP Forest, *Fletcher Challenge and* Noranda Forest have kept investors close to the sidelines or in short-term paper," says Mr Mark MacLean at BZW Canadian Securities.

Friday's decision by three leading banks to raise their prime rate to 14.75 from 14.25 per cent in spite of a smaller rise in consumer prices in March was likely to make Toronto even more vulnerable, he adds. Canada's fall compared with a 2.76 per cent decline on Wall Street, where much better-than-expected first quarter results from IBM were not enough to offset concerns about inflation and tighter monetary policy.

An unexpected turnaround by the yen and a perception that large capitalisation shipbuilding and trading companies had been oversold enticed investors and dealers back into the Japanese market. It rose 4.15 per cent on the week, reducing its fall over the past month to 3.19 per cent.

While sentiment had improved and bargain-hunting by foreign and domestic investors was evident, the market was still expected to trade in a narrow range in the coming weeks. "The major players are likely to remain on the sidelines ahead of the Golden Week [series of holidays], the release of corporate earnings results and inflation figures next month," writes Tarek Fadlallah at Nomura International.

In the Pacific Rim, Hong Kong was relieved that the Easter weekend did not witness any demonstrations on the first anniversary of the start of the civilian pro-democracy movement in China. The market, which rose 2.53 per cent on the week, breached the important 3,000 support level on the Hang Seng index, mainly thanks to heavy overseas buying.

While Hong Kong had been a beneficiary of the depressed trading conditions of other regional markets, such as Singapore and Malaysia, notes Mr Nick Peacock, at Citicorp Scrimgeour Vickers International, the fundamentals in Hong Kong had not changed enough to justify further significant advances.

Mr Peacock points in particular to the political situation in the British colony and the poor outlook for the property sector, due to the excess supply of commercial property.

Malaysia and Singapore continued to slip, falling 2.10 per cent and 0.97 per cent respectively, as volumes contracted *for the third consecutive* week, with the result season largely over and in the absence of fresh news.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	−1.68	−2.77	+101.51	+48.48	+47.13	+49.23
Belgium	+0.05	−0.02	−2.66	−6.34	−5.81	−4.46
Denmark	−0.17	−4.49	+23.00	−0.01	+1.07	+2.52
Finland	−1.70	−6.48	−17.36	−1.40	−1.15	+0.26
France	+0.87	+7.39	+22.13	+4.22	+4.84	+6.33
W. Germany	−1.15	−2.44	+36.91	+6.77	+5.46	+6.97
Ireland	−0.04	−1.22	+14.72	+1.03	+1.85	+3.31
Italy	+0.74	+4.97	+10.72	+0.97	+1.81	+3.27
Netherlands	+0.61	−0.40	+4.20	−3.43	−4.24	−2.87
Norway	−0.30	−5.82	+13.46	+13.02	+12.15	+13.75
Spain	+4.40	+7.09	−8.61	−8.26	−7.04	−5.72
Sweden	+4.00	+4.66	+15.49	−3.89	−3.96	−2.59
Switzerland	−0.83	−0.79	+8.10	−6.77	−4.91	−3.55
UK	−1.44	−4.38	+3.82	−9.73	−9.73	−8.44
EUROPE	−0.38	−0.73	+11.87	−3.02	−2.93	−1.55
Australia	−0.55	−4.88	+6.71	−8.89	−12.53	−11.10
Hong Kong	+2.53	+2.02	−3.08	+8.15	+6.80	+8.32
Japan	+4.15	−3.19	−12.56	−24.03	−31.74	−30.76
Malaysia	−2.10	−8.44	+21.42	−6.09	−8.09	−6.78
New Zealand	+0.63	+3.96	−2.77	−10.80	−13.59	−12.36
Singapore	−0.97	−5.04	+19.54	+4.66	+4.59	+6.08
Canada	−5.22	−7.78	−5.60	−13.33	−14.84	−13.63
USA	−2.76	−1.06	+7.74	−5.22	−6.56	−5.22
Mexico	+2.75	+9.14	+172.61	+31.94	+24.65	+26.44
South Africa	−0.80	−2.26	+25.02	+4.89	−7.57	−6.24
WORLD INDEX	+0.17	−1.90	+0.29	−12.38	−16.34	−15.14

† Based on April 20th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY APRIL 23 1990						FRIDAY APRIL 20 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (81)	132.97	−1.2	120.46	115.41	−0.6	6.00	134.57	121.99	116.09	158.31	132.97	132.32
Austria (19)	261.96	−3.7	237.32	231.10	−2.7	1.15	271.89	246.47	237.46	285.63	193.15	122.34
Belgium (61)	146.99	−0.5	133.16	127.05	−0.1	4.58	147.77	133.95	127.18	160.02	132.11	135.91
Canada (120)	131.21	−0.2	118.87	110.31	−0.3	3.66	131.44	119.15	110.64	153.61	131.21	136.26
Denmark (36)	245.41	−1.2	222.33	215.37	−0.6	1.53	248.32	225.10	218.74	260.82	236.69	179.03
Finland (26)	131.71	−1.4	119.32	110.55	−0.9	2.42	133.64	121.15	111.51	152.29	130.39	155.05
France (125)	162.92	−1.8	147.60	145.54	−1.4	2.77	165.91	150.40	147.56	166.43	141.69	122.35
West Germany (94)	128.93	−2.6	116.80	113.75	−2.1	1.91	132.34	119.96	116.17	137.71	122.05	87.47
Hong Kong (48)	126.61	−0.2	114.70	126.67	−0.2	4.91	126.88	115.02	126.94	126.90	112.24	130.41
Ireland (17)	185.52	−1.1	168.07	165.40	−0.6	2.60	187.54	170.00	166.35	196.57	181.49	147.42
Italy (96)	100.09	−1.5	90.68	93.07	−1.1	2.47	101.65	92.14	94.13	103.73	91.85	83.55
Japan (454)	135.84	−0.6	123.06	135.37	−0.7	0.61	136.67	123.89	136.32	197.26	124.40	166.07
Malaysia (35)	210.55	−1.4	190.75	220.44	−1.4	2.45	213.51	193.55	223.54	245.32	208.65	178.18
Mexico (13)	401.34	−2.5	363.59	1250.80	−1.0	0.41	411.51	373.03	1262.94	412.02	324.53	176.06
Netherland (43)	137.27	−1.8	124.36	119.57	−1.3	4.73	139.76	126.69	121.19	145.66	130.43	121.85
New Zealand (17)	63.35	+0.3	57.39	57.64	+0.3	7.61	63.18	57.27	57.48	75.36	60.31	69.97
Norway (24)	224.85	−1.1	203.71	200.29	−0.9	1.59	227.33	206.07	202.18	245.90	202.34	196.18
Singapore (26)	186.02	−1.0	168.52	160.90	−0.9	1.87	187.99	170.41	162.39	199.38	179.70	152.70
South Africa (60)	181.15	−1.7	164.11	156.82	−1.7	3.78	184.26	167.03	159.51	251.39	180.67	144.71
Spain (42)	154.43	+0.4	139.91	125.18	+1.0	4.24	153.75	139.38	123.99	165.19	132.84	164.99
Sweden (35)	185.94	−0.6	168.45	168.87	−0.2	2.38	187.07	169.58	169.21	206.95	173.89	157.59
Switzerland (65)	90.60	−0.1	82.08	83.86	+0.0	2.34	90.73	82.24	83.86	99.12	88.75	76.02
United Kingdom (306)	143.63	−1.2	130.13	130.12	−1.2	5.07	145.31	131.72	131.72	164.31	143.63	146.00
USA (537)	133.99	−1.2	121.39	133.99	−1.2	3.59	135.58	122.90	135.58	145.40	130.61	125.52
Europe (989)	138.15	−1.4	125.16	122.99	−1.2	3.62	140.18	127.07	124.47	146.66	135.57	120.50
Nordic (121)	187.71	−0.9	170.06	161.09	−0.5	1.95	189.48	171.76	161.90	201.89	185.01	155.36
Pacific Basin (661)	135.31	−0.6	122.58	134.07	−0.7	0.95	136.15	123.42	134.99	192.75	124.63	181.56
Euro−Pacific (1650)	136.82	−1.0	123.95	130.21	−0.9	2.04	138.14	125.23	131.38	174.18	130.35	157.17
North America (657)	133.73	−1.1	121.15	132.43	−1.1	3.60	135.24	122.59	133.93	145.78	131.02	126.06
Europe Ex. UK (683)	132.87	−1.6	120.37	117.99	−1.2	2.76	135.06	122.43	119.40	136.21	124.81	104.50
Pacific Ex. Japan (207)	128.29	−0.8	116.23	115.96	−0.5	5.22	129.32	117.23	116.52	139.32	126.77	127.45
World Ex. US (1843)	137.21	−0.9	124.30	130.11	−0.9	2.11	138.52	125.57	131.27	173.77	131.30	156.33
World Ex. UK (2074)	134.19	−1.0	121.57	131.42	−1.0	2.36	135.56	122.88	132.69	162.00	130.80	144.09
World Ex. So. Af. (2320)	134.73	−1.0	122.06	131.07	−1.0	2.61	136.12	123.39	132.37	161.84	131.95	144.24
World Ex. Japan (1926)	135.94	−1.2	123.16	129.28	−1.1	3.67	137.65	124.78	130.76	145.52	135.25	124.26
The World Index (2360)	135.01	−1.0	122.32	131.25	−1.0	2.62	136.41	123.66	132.56	162.05	132.25	144.24

Switzerland (Zurich market) closed April 23.

SECTION III

FINANCIAL TIMES SURVEY

Airlines are battling to win a bigger share of the lucrative business travel market by revamping their executive and first class services. But congestion in the air and at airports is casting a cloud over the future of business air travel. Paul Betts reports

Defying old assumptions

COMMERCIAL aviation has traditionally been regarded as a barometer of economic activity. It usually feels the chill of an economic downturn or the warmer air of a recovery sooner than other industries – and no more so than in the business travel sector.

Accounting for between 20-25 per cent of world air traffic, business air travel, either with scheduled airlines or through company owned or leased aircraft, has tended to be a function of economic development, international trade and growing industrial globalisation. When the world stock markets crashed in 1988, the decline in the passenger load factor on Concorde supersonic flights across the North Atlantic was almost a mirror image of the fall in the leading stock market indices.

Quite surprisingly, however, all the old assumptions have been proved wrong this year. Although economic activity has been slowing down, passenger traffic and especially business travel has held up more strongly than expected.

British Airways, for example, reported record passenger traffic growth in March with the number of scheduled passengers increasing by 11.5 per cent compared with the same month in 1989. Most other international airlines have also reported continued sustained growth in traffic and demand both on long distance and short haul routes.

The market has also been strong in the corporate aircraft sector. "After quite a long period of stagnation, the market is buoyant," says Mr Gordon Wilson, vice president of marketing at British Aerospace's corporate aircraft division. "But the market in the non-American world is developing faster than in the US," he adds.

All the latest forecasts point to better than average growth for air transport in the coming years. The International Air Transport Association (Iata) expects international schedule passenger traffic growth to reach 8 per cent or more this year, settling down to 6.5 per cent, and then rising to 7 per cent over the next three years.

Asia and the Pacific will remain the fastest growing region during the next decade offering significant opportunities for expansion for both business and leisure travel in and out of the region. Iata expects passenger traffic to show annual average increases of 11 per cent in the North Pacific area and of 9 per cent in south-east Asia and the south-west Pacific. For their part, Europe and North America are forecast to show very respectable growth of 6 per cent on average over the next three years.

The biggest gainer from these encouraging trends is likely to be not so much the business market but the leisure travel sector. Although the charter market is going through a rocky patch, all aerospace analysts concur that the potential for long term traffic growth remains impressive.

A recent study by the European Airbus aircraft manufacturing consortium said that even in mature markets like North America and Europe the desire to travel by air remains high.

But although the leisure side is likely to take an ever increasing share of traffic, business travel will continue to provide airlines with high yield revenues which subsidise to some extent the high volume low fare economy class.

The significance of business travellers to all airlines is eloquently reflected in the fierce competitive battle carriers have been waging all round the world to attract businessmen to their executive or first class services. Pan Am, for example, recently offered passengers flying first class from the UK to the US a money back guarantee if they felt the service was not up to scratch in an effort to win back some of the high yield business it had lost to other competitors.

The competition for business and first class passengers has been intensifying in recent months with airlines investing huge sums either to revamp their existing services or to launch new services. The battle has involved both long distance and short haul services.

In Europe, the gradual but steady process of liberalisation in air transport coupled with the approach of the Single Market in 1992 has created new opportunities for airlines and provided a further stimulus for business travel on shorter routes. Airlines have thus been jostling for position in an increasingly open European market with some, like Lufthansa, reviving a first class service on short haul routes and others upgrading their business classes to try to give the businessman a better deal.

In the long distance market, the predominant trend has been to provide non-stop services, using new aircraft with extended range performance following the introduction in many leading airline fleets of the new Boeing 747-400 jumbo or the Boeing 767 extended range twin engine airliner. Airlines are also investing in a new generation of wide body long distance aircraft which the three main airframe manufacturers are now developing. These include the Airbus A330/A340 family; the new McDonnell Douglas MD11 trijet which is expected to be followed by a larger derivative called the MD12; and the planned Boeing 767X twin engine wide body aircraft.

Schedule, speed and punctuality are increasingly emerging as the keys to success in the fiercely competitive long distance and short haul business air travel market. Comfort, especially leg room, is another important component. But all the airlines are continuing to struggle with the dilemma of accommodating all the different requirements of business class passengers, who often claim they are not really getting full value for the money they are paying.

"The problem is that some business travellers want to work in flight, others want to relax and sleep, and others want to have a good time," explains one senior international airline official.

The airlines also defend the hefty price of executive and first class travel, arguing that the businessman pays a premium for a better service and the flexibility of no ticket restrictions. This is at the heart of the problem of overbooking. Many businessmen book themselves on several different flights on any given day and end up taking only one. The airlines claim that if they did not protect themselves against all the no shows on a flight by over-booking they would lose an enormous amount of money.

BA, for example, estimates it could lose as much as £75m in revenues from full fare paying passengers not showing up for a flight. "An airline seat is not like a can of beans which you can keep on the shelf if nobody buys it. Once the aircraft has taken off, the empty seat is lost," remarked a BA executive.

The battle for business travel is not only being fought in the air but also on the ground. Airlines have been multiplying new facilities at airports because with congestion and delays passengers are spending more and more time on the ground.

In the old days, passengers drank a cup of coffee and watched TV while they waited for their flight in airline executive lounges at airports. Today they can send fax messages, make international telephone calls, check stock market prices from lounges which have also been converted into business centres. Airlines also offer valet car parking services at airports and much else.

Congestion at airports and in the air, especially in Europe, is casting a cloud on the otherwise encouraging prospects for business travel and air transport in general. All the airlines agree that urgent action must be taken to improve air traffic control and airport infrastructures to avoid a crisis developing by the end of the decade. A report by the Stanford Research Institute for Iata warns that air transport in western Europe could be brought to a standstill in the late 1990s because of congestion and urges an international conference of governments, airlines and aviation organisations to come to grips with the problem.

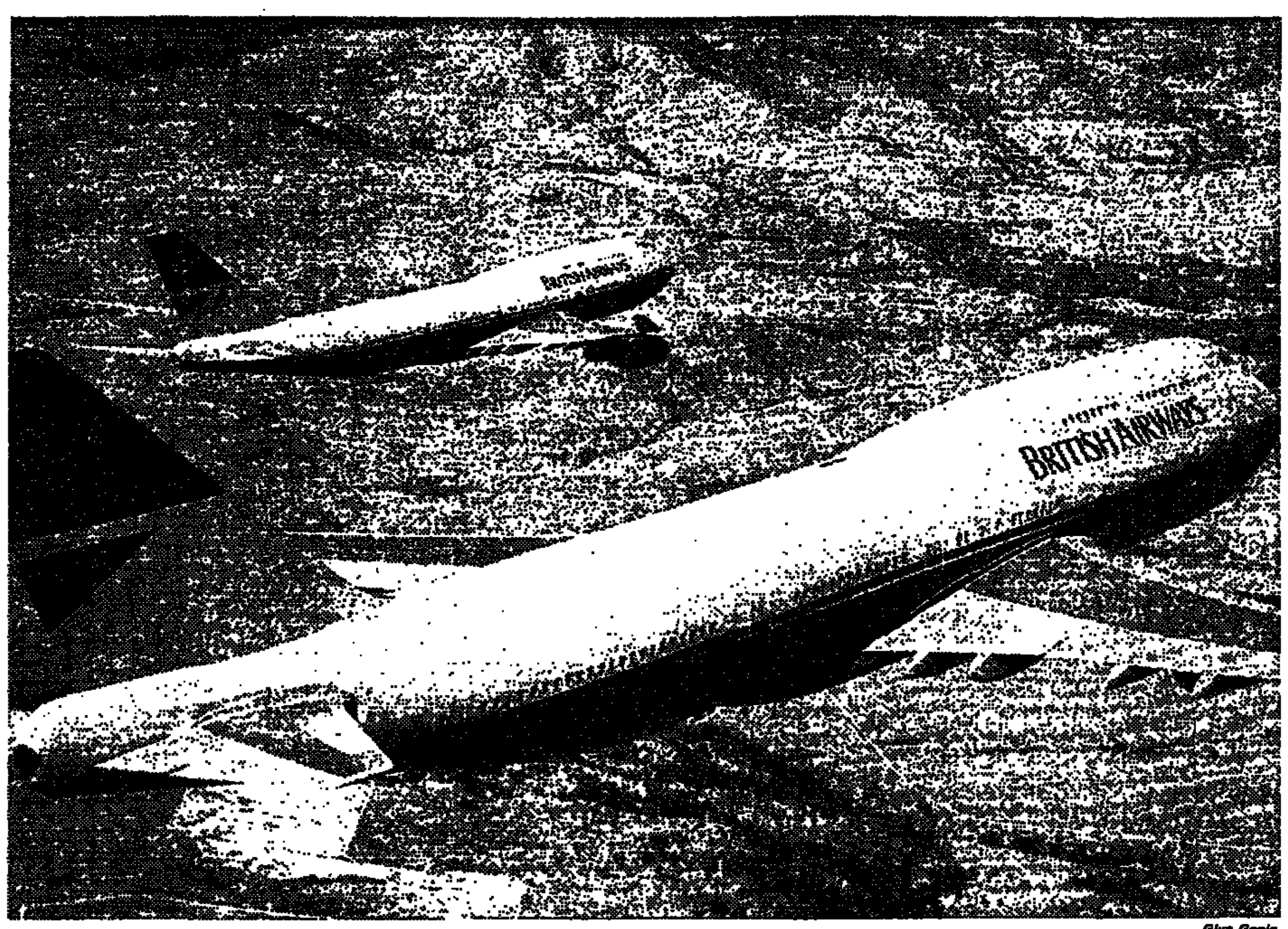
The issue of airport congestion is not only affecting schedule airlines but also owners and operators of private company aircraft. Some airport and civil aviation authorities are considering restricting access to congested airports like Heathrow to small business jets. These moves are provoking alarm in the corporate jet sector at a time when the market for mid-size and smaller business jets has been enjoying a relative recovery.

The market for the bigger corporate jets is already suffering because industry in general is becoming leaner: "Business jet owners and operators are going downsize for middle range corporate jets," says Mr Wilson of BAe. And if an economic downturn persists, it is likely to start having an impact on the middle and smaller end of the market. As a sign of the restructuring now taking place in the business jet sector, Chrysler recently decided to divest itself of its Gulfstream aerospace interests while Lear Jet has just been taken over by Bombardier of Canada.

In the longer term, supersonic business air travel is expected to expand. Concorde has turned into a big success at the top end of the business air travel market and all leading aircraft manufacturers believe that a successor to Concorde will be developed at some stage in the next century. Apart from the US and European aerospace industries, Japan is now taking an active interest in the development of a second generation supersonic aircraft. The Soviet Union is also interested and has started preliminary studies to develop jointly with Gulfstream a supersonic business jet.

But before the next generation of supersonic passenger jets appears, which itself is bound to involve some form of broad collaboration between all leading airframe and aero-engine manufacturers, the industry is likely to see the development of a new breed of wide-body jumbo aircraft.

Boeing, McDonnell Douglas and Airbus are already all working on projects to stretch their largest aircraft in preparation for what is likely to be the advent of the new double-decker jumbo airliner.



Glyn Genin

The Boeing 747-400 is now providing the new non-stop long distance services demanded by the business traveller

BUSINESS AIR TRAVEL

IN THIS SURVEY

BUSINESS AIR TRAVEL 2

Glyn Genin

Thai Airways International's flight kitchen, at Bangkok Airport, produces 20,000 meals a day

Business class

Five ways to pick the best

JAPAN Airlines this month re-launched its international business-class services, while Air France re-vamped its medium-haul executive class operations.

Last month, a couple of other airlines did the same to their business classes; over the next few months there will probably be several more. Qantas has announced plans for a re-launch later this year.

Once ignored by the airlines, the business traveller has become the important element in the profitability of international airlines.

It was British Airways' decision, two years ago, to relaunch its international and European business class operations, at a cost of £25m, which effectively sparked off the latest round of updates by major competitors.

Now BA faces the problem of keeping its Club World and Club Europe business class brands looking fresh against the new competition. BA says it is constantly improving the facilities that its Club classes have to offer, although there are rumours of another rethink on its European services.

Even if BA's Club classes have their critics in some quarters, the airline's popularity with travelling executives was shown by its being voted best international airline by readers of Business Traveller magazine in its last poll. The prestigious US magazine Aviation Week also recently voted BA "Best Airline on the Atlantic".

The question faced by travelling executives is: how to choose the best business class from the range on offer? Choice usually depends on at least five factors:

■ Space: The chief justification for the higher fares charged in business classes is that the traveller is getting more space, either in terms of leg-room or seat-width. This, however, generally applies to international business classes; short-haul business class travellers are often left with the same sized seats as economy travellers.

Virgin Atlantic offers seats with probably the largest pitch: 55 inches in its Upper Class seats. These are typically the same size as would be found in first class on other airlines. Virgin, however, eschews a first class service in favour of just business and economy classes.

Other seat pitches in business class include BA's 40 inches, Pan Am's 37 to 38 inches, and Continental's 38 inches.

■ Food: Boredom on long flights means that some executives will consider the quality of the food important when choosing an airline.

American Airlines has a strong reputation for its food in-flight, and came top in a recent "blind" testing carried out by Business Traveller magazine. Singapore Airlines was second and BA third.

■ Service: This is the most intangible factor — but, equally, the most important reason for many. Airlines operating to the Far East, such as Cathay Pacific and Singapore Airlines, have established a well-deserved reputation for service. BA also improved its service levels with its well-publicised "putting people first" staff training programmes.

Many travellers, moreover, prefer the policy adopted by some US airlines in giving the stewards and stewardesses jobs to long-time staff. Mature cabin staff, they believe, give better in-flight service.

■ Amenities: The ubiquitous toiletries and amenities kit, offered by most airlines, varies considerably. Delta Airlines is regarded as having one of the best, while several other well-known airlines kits leave much to be desired.

Some airlines, however, offer alternatives. Virgin, for example, provides a torch or pen, while Canadian Airlines International gives a selection of leather or executive gifts.

■ Routes: Choice of an airline often has as much to do with its route patterns as in-flight services. BA, for example, is picking up business to the west coast of the US by its direct flight to San Diego. It is the only international carrier to offer a direct route to San Diego: others require travellers to change planes at one of the US "hub" airports.

One feature of the new-style business classes is the willingness of airlines to take note of customer requirements. JAL, for example, asked passengers on its international flights for comments. Another source was its "Hello Line", a consumer response system set up in Japan, in November 1987, when the airline was completely privatised.

The key question for airlines, however, is how far business class development can go in the 1990s? One way forward is clearly the Virgin route — scrapping first class and providing significantly extra legroom for business passengers in an expanded cabin.

What at present prevents many airlines from adopting this policy, however, is not only the loss of prestige by not having a first class cabin but also the loss of revenue — seats at the front end of the plane typically cost twice as much as business class fares.

Yet, equally, airlines are aware that increased cost-consciousness by companies towards business travel may make them look for alternatives. BA, for example, is experimenting with giving full-fare economy passengers on its London to Houston and Dallas/Fort Worth routes — who are mainly business travellers — greater facilities to differentiate them from discounted economy travellers.

Most airlines, however, are fully committed to making evolutionary rather than revolutionary moves. Ways of giving travelling executives greater control of their environment, for example, will be increasingly sought.

Perhaps the most significant advances in business class services, however, will not be made in the air but on the ground. The airline that can really offer the business executive a better way of getting to the airport and checking-in will set the pace for business air travel by the late 1990s.

David Churchill

SUPERSONIC FLIGHT

Way ahead by a long nose

IS SUPERSONIC travel worth it? Flying by the Concorde services offered by British Airways and Air France has been a reality for captains of industry, rock stars, and others with access to money for the past 21 years ever since Concorde first entered commercial service.

Even after all this time the sight of Concorde sitting on a runway waiting for take-off can still lead to a craning of necks from even the most sophisticated of business travellers sitting in sub-sonic planes.

Yet Concorde is still perceived largely as an expensive status symbol for the egocentric individual with wealth — be it personal or corporate — rather than the business tool which BA (and to a lesser extent Air France) would rather have portrayed.

Concorde's real strength is its speed. Flying at supersonic speeds — at twice the speed of sound — and at twice the height of normal planes means that on the New York route, for example, executives can leave London (on BA001) at 10.30am and arrive at 9.20am in New York ready for a day's work.

The flight time of three-and-a-half hours, moreover, is little more than the equivalent of a train journey within the UK; and the lower cabin pressure in Concorde than in a jumbo means that passengers arrive less dehydrated and uncomfortable than is often the case.

Time is also saved on the ground: check-in time is 30 minutes before departure (instead of the usual hour for business class passengers) and with a maximum of 100 passengers there are fewer processing delays on both departure and arrival. Arrival and departure times at New York's JFK international airport are also scheduled to avoid the rush-hours and other sub-sonic flights at BA's own terminal.

So conscious is BA of its speed advantages that it offers a special "awayday" fare at a discount to the normal New York return fare of £4,256. This package of flight to New York and back on the same day is aimed at executives who need to meet colleagues face-to-face: some four hours of meeting time is available and the fare includes a conference room at BA's terminal.

But even Concorde's speed cannot help it in all circumstances. The return flights from New York to London are often less crowded because the time difference works against business travellers even though the elapsed time is broadly the same. Thus the 9.30am BA Concorde flight out of JFK to London does not arrive in London until 6.20pm. The 1.45pm flight is more popular, since it enables a morning in the office, but does not reach London until 10.25pm local time.

The result is that many travellers might choose to fly First Class overnight and get a night's sleep in preference to losing a day in the office.

In fact, apart from its speed and style, Concorde compares unfavourably with first class and many business class services. Concorde's seats may be leather-covered but they are small and rather cramped in comparison with the space most business travellers are used to in business class.

The food and service offered on Concorde is, not surprisingly, of a high quality; but there are limits to what can be achieved given the space limitations on the galley and staff. Many frequent Concorde flyers, for example, often decide to forgo eating on the plane since they can be in Manhattan for lunch.

Yet BA remains committed to flying its Concordes well into the early years of the next century. Apart from its New York service, it has regular scheduled services to Miami and Washington and is starting a service to Toronto in June.

Air France only operates one service, from Paris to New York, at a return fare of FFr30,750.

BA, however, is targetting its marketing effort towards making more executives aware of Concorde's benefits to them. It often upgrades frequent business travellers paying full fares on busy sub-sonic flights on to Concorde, as well as offering special promotions from time to time. For example, last year it offered an automatic Concorde upgrade for Club World passengers booking three tickets to the US.

But even if such efforts introduce a whole new generation of customers to Concorde, inevitably the day will come when the plane will finally have to be taken out of service simply because no new ones are being produced and there are only a limited number of spare parts available. When that happens the rock stars, captains of industry and other top executives will have to re-adjust to the slower-than-sound travel that most travellers take for granted.

David Churchill

Extras on the ground include...

Discounts and stopovers

AIRLINES HAVE offered all they can in the air, and are turning their attention to on-the-ground extras.

Free transport, hotel and car-hire discounts, leisure club access, free accommodation while awaiting a connection are almost the norm nowadays.

For example, those who fly with Qantas from Heathrow or Manchester to Bangkok, Singapore or Australia, receive benefits worth between £100-200 under its Business Connections programme. These include a free night at Heathrow's Excelsior hotel (with dinner and breakfast) and a free chauffeur-driven car to the airport (within a 40-mile radius) if you fly first class, or one or the other perk if you're go business class.

If you plan to drive in Australia, you can take advantage of the deal the carrier has done with Avis: a 20 per cent discount on standard time and mileage car hire rates for Qantas' first and business class passengers. And a Qantas first- or business-class passenger, staying at the Regent hotel, in Melbourne, can pay a special rate of A$245 and stay in a deluxe room which would normally cost A$350.

If you're flying to South Africa or southern Africa on South African Airways, this carrier offers a 20 per cent discount off hotel rates in 14 destinations, and an upgrade to the luxurious Towers section of the Johannesburg Sun hotel if you book in advance in the UK. Stay at any of the Protea chain hotels, in South Africa, and receive a 25 per cent discount and 15 per cent off Budget and Imperial car rental.

Generally, airline stopover packages let you stay at luxury hotels for almost half price. Air France, for example, offers good savings in the Middle East and Asia through its Connections programme. All airlines tend to offer the best savings at their home base, where they have the most purchasing power.

UAE flag-carrier Emirates, for example, offers huge discounts in Dubai under its Emirates Holidays packages. Stay at the InterContinental hotel for £74.68 through Emirates, instead of paying £90.17; or at the Hyatt Regency for £44.30, rather than £87.93. Savings at the nearby resort hotel of Jebel Ali are even greater: £139-158, instead of £307-353, depending on whether you have a garden or sea view.

Such stopover deals offer hidden savings, as usually they include return airport/hotel transfers, service/tax and breakfast. For example, the deals Singapore Airlines offers in Singapore, are even more appropriate now hotel rates there have hardened over the last 12 months. Passengers can stay at the deluxe Pan Pacific hotel for just £35 per person per night, or in the first-class category Taipan Ramada for £26 in a shared twin room. These deals are part of SIA's Singapore Stopover Holidays scheme and include full American breakfast, transfers, sightseeing tours, and discounts on Avis car rental and at the Tanga department store.

In Europe, passengers who fly Dan-Air and rent from Europcar become eligible for the airline's Link Drive car hire deals at UK airports and in Dublin, which are up to 50 per cent cheaper than comparable fly-drive prices.

Meanwhile Richard Branson's Virgin Atlantic airline pioneered the free Economy class ticket (subject to availability) when travellers sample its Upper Class (business class) service — something that Emirates has since copied.

Dominant home-based airlines, like British Airways, are not over-generous in showering passengers with on-the-ground extras, but do pay lip-service to the idea by offering (until June, on a trial basis) free chauffeur drive for first- and business-class passengers flying from Gatwick to Dubai, Hong Kong and New York); valet parking at Heathrow Terminal 4 (£20 for first day, £15 for second, £10 for subsequent days) for all classes of passenger; and free helicopter transfer from New York's JFK airport to Manhattan if you're a first or Concorde passenger.

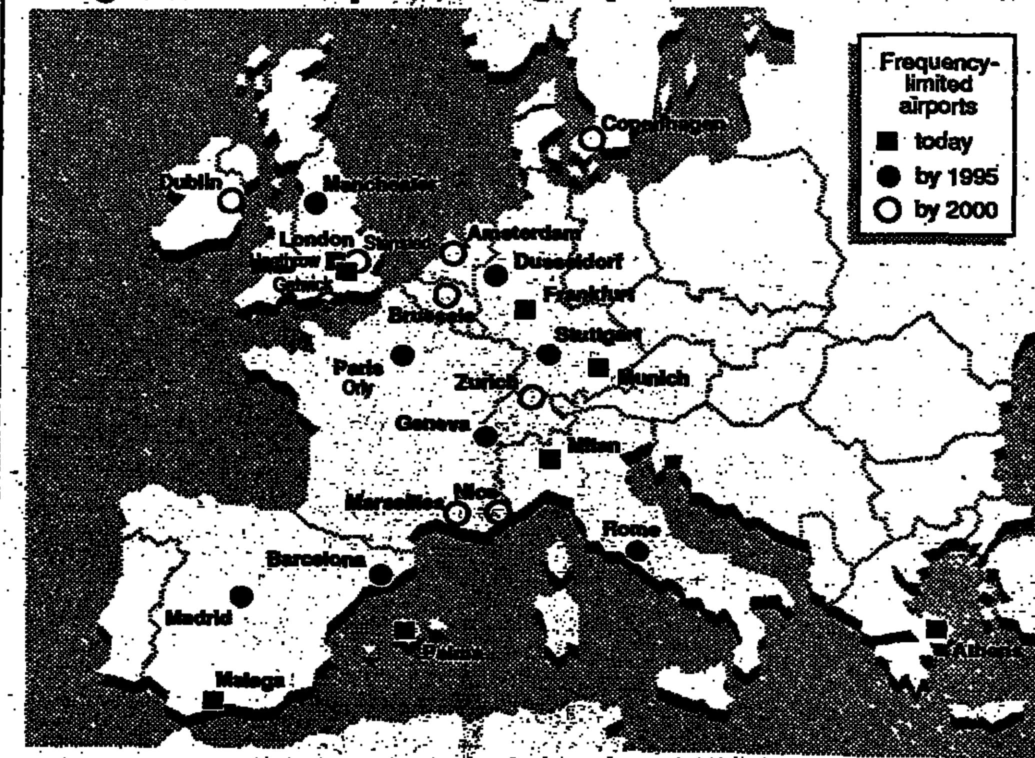
At a very minimum, most airlines provide the tranquil surroundings of a private lounge, although this is sometimes only open to airline club members or if, because of the pressure on space at major airports, the lounges are so small that they are just as chaotic as the general public areas. Others, like SAA's at Heathrow, offer showers, bathrobes, changing facilities, fax and secretarial services — though only for use by SAA first-class passengers and its Prestige club members.

Until new airports are built — plans are under way at Paris, Amsterdam, Frankfurt, Munich, Brussels, five British airports and four Spanish cities — more lounge space will not become available. But as the competition intensifies, the consumer will benefit most.

Gill Upton

Editor, Business Traveller

Congestion at Europe's leading airports



Source: Airbus Industrie

A flying 'Orient Express' is slowly emerging as airlines continue to upgrade their services in the competitive long-distance market

Non-stop engine of growth

COMPETITION among the airlines for traffic in the long-distance travel market to and from western Europe has been increasing rapidly in recent years, as more and more passengers have been seeking to fly further — preferably non-stop.

While much of this has been, and still is, business traffic, reflecting the growing significance of global export markets to west European commerce and industry, a significantly increasing proportion of it is leisure traffic, reflecting the more ambitious travel patterns of holiday-makers and expanding ethnic communities. Both trends seem likely to continue, as world air passenger traffic is expected to double by the end of this decade to more than 2bn a year, and perhaps even doubling again by 2010.

Much of this expansion has been, and will continue to be, made possible by significant improvements in engine, airframe and avionics (airborne electronics) technology. As a result of developments in these areas over recent years there has been a significant change in the pattern of air transport operations worldwide.

What in the days of the earliest four-engined jet airliners of the late 1950s and early 1960s were regarded as long-range routes — for example across the North Atlantic between western Europe and the eastern seaboard of North America — have now become, as a result of the technological advances in aeronautics, comfortable, safe and reliable operations for medium-range twin-engined airliners.

Today, regular non-stop transatlantic flights between west European cities and North American are made with twin-engined Airbus A-300-600s and A-310s, or Boeing 757s and 76ls, under what is variously known as "Etops" or "Erops" — extended range twin-engined operations over water.

Progressively, as experience with such operations grows, the number of such flights is increasing. There are now several thousand every month on a variety of routes, especially across the North Atlantic, and across the Pacific between the US West Coast and Hawaii.

The most significant results of this have been not only to widen the market for medium-range twin-engined airliners but also to extend individual airlines' own route expansion ambitions.

New types of medium-range airliner now under development will extend such operations even further. Such developments include the Airbus twin-engined wide-bodied A-330, due to enter service in 1993, and which will be capable of flying up to 4,550 nautical miles non-stop with a payload of 335 passengers.

At the same time as the medium-range twins have moved into what was originally the preserve of the bigger four-engined airliners, the latter have also expanded the frontiers of range and payload performance even further.

The best example has been the evolution of the Boeing 747 Jumbo jet, which since it entered service 20 years ago has enabled millions of passengers to fly to places that previously would have been impossible to reach at fares within their means.

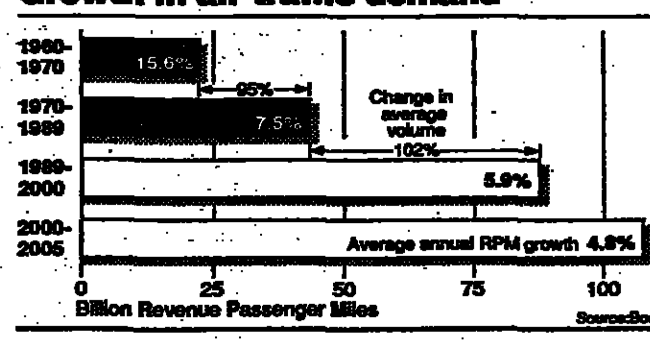
One result has been for an increasing number of airlines to operate longer non-stop flights, especially on some routes between western Europe and the Far East and south-east Asia — the fastest growing air transport region in the world.

The earliest versions of the 747 still required airlines to make refuelling stops between western Europe and south-east Asia and the Far East. But the emergence of the Series 300 version of the 747 in the late 1980s made it possible for airlines to fly non-stop eastbound on those routes, although still obliged to make one stop in the westbound direction against prevailing headwinds.

The entry into service of the improved Series 400 Jumbo late last year, however, has changed that situation again, with non-stop operations in both directions now expanding as more 747-400s flow into the fleets of the world's leading airlines.

Looking further ahead, even more significant long-range airliner developments are on the way. Airbus, the west European airliner manufacturing consortium, is now developing its A-340 four-engined wide-bodied long-range airliner in two versions, the Series 200 capable of carrying 262 passengers over distances of 7,550 nautical miles, and the Series 300, capable of lifting 295 passengers over 6,750 nautical miles. The first A-340 enters service with Lufthansa in September 1992.

Growth in air traffic demand



At the same time, McDonnell Douglas, whose DC-10 series of three-engined airliners did much to help extend both the medium and long-range capabilities of the airlines in competition with the Boeing 747, is now developing the improved MD-11 series of tri-jets.

Initially capable of carrying 293 passengers over more than 7,000 nautical miles, McDonnell Douglas is planning a stretched MD-11, carrying 368 passengers over 6,200 nautical miles. But it also has plans for an "advanced stretched" version capable of more than 8,000 nautical miles.

Boeing also has ideas, as yet not revealed in detail, for further developments of the 747 Jumbo, with improved range and payload performance, for service towards the end of this decade. Such an aircraft could be targeted at the ultimate in long-distance non-stop operations, between the UK or western Europe and Australia, with a profitable payload.

The 747-400 has already achieved such a feat, albeit on a delivery flight with a very small payload. A decision to develop such a new 747 variant will depend upon airline demand, but several airlines are already showing interest.

Because of the long-range capabilities of both the Airbus A-340 and the McDonnell Douglas MD-11, both those manufacturers have been giving much thought to ways of making journeys more comfortable for business passengers.

Airbus, for example, starting in effect with a clean sheet of paper in the design of its A-340, is studying the possibility of using lower-deck space in that aircraft for either a lounge area, where passengers could go to get a change of surroundings, or for a more formal dining area. One idea is even to use the space for a small gymnasium.

But the most obvious idea is to provide sleeping accommodation. Modules based on standard containers could enable the forward under-floor area in the A-340 to become a "flying Orient Express", offering very high comfort and privacy for first-class passengers

Looking even further ahead, much research is under way in the US, western Europe and Japan on a possible second generation supersonic airliner to replace the Concorde, with a range of more than 6,000 nautical miles and a payload of up to 300 passengers, against Concorde's 3,000 miles and 100 passengers.

However, much more work on both engine and airframe technology will be necessary before any design can be finalised. Moreover, such a development will be costly, and would require extensive international collaboration. Increasingly, the airlines want to see such an aircraft but on present estimates, it seems unlikely that it will emerge until after 2000.

Michael Donne

Michael Donne reports on the need to overcome air congestion

Danger: crowded skies ahead

THROUGHOUT western Europe, the battle for the increasing volume of business traffic has become much fiercer in recent years, as the overall number of passengers has shot up, and the business traveller, in particular, has become much more selective in his or her choice of airline.

From a total of just over 400m passengers in 1988, European short-haul air traffic is expected to double to about 800m a year by the end of this decade, and to triple to around 1.2bn a year by 2010.

Much of this will be business traffic, which because it tends to pay the higher fares is much sought after by all the airlines to offset the rising percentage of lower-fare economy-class leisure travellers within the overall total.

As a result, all the leading European airlines have significantly improved the quality of services they offer to business travellers, ranging widely from better seating arrangements in flight, improved quality of meals and other in-flight cabin services, special lounges on the ground at airports, and even the provision of secretarial and other specialist services at airports if desired.

Every leading airline now offers a separate check-in facility for business class travellers, and a separate section of the cabin to ensure some measure of exclusiveness in flight. These facilities are not always provided, however, as religiously as they might be, and there are as many opinions on business travel standards as there are business travellers.

But one complaint often heard is that while some airlines do make an effort to ensure that in-flight seating is maintained at a high standard — such as keeping empty the middle of the three-abreast seating arrangement on Boeing 737s — on some late evening flights on busy days those middle seats are filled. As a result, the airlines make more revenue but the business-fare passenger endures a lower standard of in-flight comfort.

Also, the types of aircraft used can make a big difference to overall comfort — the European Airbus A-320s used by some airlines have more comfortable business class seats than the Boeing 737s used by others.

Throughout the entire European airline industry, competition is certain to become even more formidable with the anticipated introduction of more liberal regulations governing market access, capacity shares and fares levels in the European Community from January 1 1993.

The precise nature of these new regulations is still being discussed, and it is not yet clear whether airlines of countries outside the EC will also follow suit, although many in the airline industry believe that they will.

At the same time, the leading US airlines are already planning attacks on Europe through the 1990s, with the aim of winning bigger shares in a market that will match, if not exceed, that of the US itself in overall size.

Larger aircraft are also on the way — such as the twin-engined narrow-bodied Airbus A-321, the stretched version of the popular A-320 and capable of around 186 seats, due in service in 1994, and the even bigger 335-passenger wide-bodied twin-engined Airbus A-330, due in 1993 — offering improved performance, and more flexibility in interior cabin styling.

Tackling congestion on the ground at airports and in the air is the number one priority for the entire European air transport industry

Another factor influencing the growth of competition is the increasing strength of the smaller regional airlines, providing direct links between smaller towns and cities throughout western Europe as well as connections from peripheral points into the leading hub airports.

Some airlines, such as British Airways, are investing heavily in such operations (BA has a significant stake in The Plimsoll Line which owns both Brymon Airways and Birmingham European Airways; BA is also developing its activities at Birmingham, Glasgow and Manchester.)

Many business travellers are finding these regional operations more comfortable and convenient than the main trunk routes between hub airports, many of which are now becoming increasingly congested.

The pattern of short-haul services in western Europe may also be significantly changed in the not too distant future as a result of ambitious plans by some airlines to forge specialist links to expand their route networks. The best example is the plan by British Airways to spend £34m on a 20 per cent stake in the new Sabena World Airlines of Belgium, with a comparable stake being held by KLM of The Netherlands.

While such inter-airline financial links are not new — Scandinavian Airlines has a stake in BA's rival, British Midland of the UK — they have in the past been directed more towards formal but lucrative business partnerships than to the generation of totally new techniques of operation.

The BA plan, however, now being studied by both the UK's Monopolies Commission and the European Commission, is designed to create an entirely new hub operation on the mainland Continent, as a means of generating feeder-traffic into Brussels international airport for onward connections to long- haul routes to other parts of the world.

The deal is being contested not only by British Midland in the UK, but also in Brussels by the Belgian airline, Trans European Airways (TEA), both of which believe the BA plan to be anti-competitive.

What remains to be seen is whether such arrangements ultimately benefit the consumer, either through the introduction of a wide range of new, competitive air services, at competitive fares, or whether they will be used solely to strengthen the positions of individual airlines at specific hub airports. There are many airlines on the Continent which will be watching closely to see what decisions the Monopolies Commission and the EC take in the matter.

Airport congestion is now one of the major issues threatening the expansion of all European air transport through the 1990s.

The International Air Transport Association (Iata) has estimated that out of some 27 leading European airports, 16, including Heathrow and Gatwick in the UK, Frankfurt in West Germany and Madrid in Spain, will be saturated well before the end of this decade unless what it calls "enhancements" — improvements to permit more aircraft movements at those airports — are introduced.

In the UK, British Midland Airways, the second largest operator at Heathrow in terms of passenger numbers, is already prevented from expanding its services on domestic trunk routes and from starting new routes to the Continent for which it holds licences, because of a lack of available "slots" — take-off times at Heathrow.

British Midland is currently conducting a campaign to influence the Government, the National Air Traffic Services and the British Airports Authority (BAA) to take measures to improve matters, but is facing some resistance in the light of the availability of the redeveloped Stansted airport in Essex as the natural air transport expansion chamber for London and the south-east.

But serious though airport congestion is, probably the single most important factor now governing businessmen's attitudes to travel on short-hauls — especially those making one-day out-and-back trips — is the problem of delays due to air congestion.

Iata has estimated that over the past four years, the proportion of flights delayed by more than 15 minutes has almost doubled from around 12 per cent of all flights to close to 25 per cent, and there are fears that this will get worse as the volume of passenger traffic and the numbers of aircraft using the crowded European skies increase, causing yet more congestion.

Tackling congestion on the ground at airports and in the air must now rank as the number one priority for the entire European air transport industry.

Unless it is successfully met and overcome, these problems threaten to bring the air transport industry to a near standstill before the end of this decade, wrecking everything that so many people in the industry have worked so hard for so long to achieve.

Business aircraft owners are worried about policies to limit their use of large airports

'Relievers' are handy but often restricted

BUSINESSMEN who use company aircraft feel they are being handicapped in their tasks. Air traffic is growing, airports are increasingly congested, and corporate aircraft operators are being discouraged from using main centres.

Pressure is on corporate flyers internationally, and the Business Aircraft Users Association, the industry's interest group in the UK, notes that overcrowded large airports are encouraging business aviation to use smaller, "reliever" airfields to ease demand on runways and facilities.

Nowhere is the situation more graphically illustrated than at Heathrow and Gatwick, London's biggest and busiest airports.

Last year, Heathrow handled 369,039 aircraft movements – each landing or take-off is termed a "movement" – of which 17,318 were business flights. That proportion might have been smaller still. Mr Derek Leggett, chief executive of the BAUA, says his association has three times averted a decision to ban company aircraft from Heathrow altogether.

Airlines come first at Heathrow and Gatwick, business aviation second. That is an official policy and was reaffirmed late last year by Mr Cecil Parkinson, Secretary of State for Transport, in his response to an advice document – CAP 559 – from the Civil Aviation Authority and to representations from the industry.

Mr Leggett's objections to that centre on the importance of corporate aviation to the economy. Aircraft save valuable company time and can function as mobile office space. Even in business class on an airliner, he says, "you can't have a meeting in flight. You can't discuss company affairs." Speed is important, too.

The BAUA has about 50 members, including many of the biggest names in British business. Members operate mainly turboprop aircraft such as the twin-engined Beech King Air and jets such as the BAe 125. "It's all two-man, professional crews," Mr Leggett says.

Professionalism in his members' crews is an aspect Mr Leggett emphasises with pride. Hand in hand with that professionalism is the elaborate level of equipment aboard BAUA members' aircraft. Inertial navigation and satellite positioning enable them to fly very precise courses and heights, and landing aids enable them to approach airports safely in bad visibility.

Instrument landing system uses radio to relate the pilot's position to that of the runway. Category I ILS permits a pilot to land when the cloudbase is down to 200ft, Category II allows 100ft.

Trusthouse Forte and J. C. Bamford are BAUA members. Both operate BAe 125s with Category II ILS. Not all airliners are so well equipped. The snag is that not all airports have *any* ILS, let alone Category II. That is one of the reasons the association wants to be assured of being able to go on using Heathrow, Gatwick and other big airports worldwide.

Another reason is interlining: changing flights, typically from a company aircraft flown from a small regional airfield in the UK or the Continent, on to a scheduled intercontinental airline. Fast interlining demands that a company aircraft fly into the airport from which the airliner departs.

In the UK, Concorde schedules use only Heathrow. British Airways estimates that Concorde interlining from business aircraft alone is worth over £1m annually.

The BAUA says it has three times averted a ban on company aircraft at Heathrow

Many of the reliever airports that the CAA would encourage the business community to use have no airline services.

For all his criticism of the big airports, Mr Leggett praises what he terms the "flexible" attitude towards his members that he finds at Heathrow.

Mr Bill Oatey, the airport's director of safety and security, sums up the management's approach: "It's Dunlops hitting the runways that make our tills turn." Airlines take priority, but "we are in favour of retaining business aviation at Heathrow."

At Gatwick, business traffic is falling. Last year Gatwick handled 189,000 aircraft movements, an increase of 5 per cent over 1988. Of those, 7,042 were business flights, 3.7 per cent of the total. In 1988, the figure was 7,926.

In terms of journey times into central London, most of the relievers are at least competitive with Heathrow and Gatwick.

At Farnborough, the Ministry of Defence airfield best known for its international air show every two years, Carroll Aircraft, a subsidiary of Carroll Group, a property concern, has this month received planning approval from Rushmore Council for an executive terminal and offices which will transform the present group of small hangars and reception buildings.

As a developing business aviation centre, its constraint is less the precision approach radar, which permits a military-style ground-controlled talkdown, or the large runway, which has handled the Soviet Antonov 124 heavy transport, but rather its opening hours: Monday to Friday, and Saturday morning.

Mr Joe O'Neill, Carroll Aircraft chief executive, says: "It's one thing to force people out of the major London airports, it's another to provide facilities at reliever airfields. Those facilities must include seven-day availability and full customs."

Biggin Hill, in Kent, famous for its RAF role in the Battle of Britain, is managed by Airports UK, a subsidiary of BAA (formerly the British Airports Authority), on behalf of the owners. Mr Colin Sewell-Rutter, Airports UK managing director, believes Biggin Hill has the potential to be the most important of the London relievers but agrees that until now the airport has lacked the navigational aids that business pilots want.

At 1,815 metres, the main runway can accept most purpose-built business jets, but until this month the airport has had no ILS. Its advantages lie in swift customs processing – 12 minutes from leaving the aircraft to entering the car – and good public-transport links with central London. No airlines use Biggin Hill, but the M25 is a quick link with Gatwick.

Airports UK also manages Southampton airport. Southampton's 1,723m runway is used extensively by light single and twin-prop types and by airliners up to the size of the McDonnell Douglas MD83, a development of the DC9; the airport also hosts Genavco, an executive service company offering facilities from corporate passenger handling to engineering support for aircraft. It is experienced at maintaining the BAe 125.

Southampton's executive lounges – Airports UK's and Genavco's – are functional rather than lavish. Fax, phone, telex and photocopying are available, but the emphasis, as elsewhere, is on speeding the business traveller from aircraft via customs to limousine as fast as possible.

Instead of ILS, the airport has area radar and precision radar for ground-controlled talkdown. Usually the system works well, but Mr Malcolm Olson, Southampton's airport director, observes: "Some foreign pilots are not used to precision radar approach."

The relievers are developing fast, but drawbacks remain, and the pressure at the main airports will not go away. Until proper facilities are in place, UK and foreign business travellers will still feel they are working with one wing tied behind their back.

David Boggis

BUSINESS JET DELIVERIES 1985-1989

	1985	1986	1987	1988	1989	5 year Total
SMALL CABIN						
Citation 1	6	-	-	-	-	6
Beech Diamond 1A	18	6	0	1	0	25
Beechjet 4000	-	11	14	21	10	56
Cessna Citation 2	0	0	14	28	32	74
Cessna Citation S2	62	40	22	19	1	144
Cessna Citation 5	-	-	-	-	33	33
Dassault Falcon 100	1	3	5	6	4	19
IAI Westwind 1	5	2	4	1	0	12
IAI Westwind 2	8	7	0	0	0	15
Learjet Model 31	-	-	-	5	7	12
Learjet Model 35A	8	11	12	15	9	55
Learjet 36A	1	2	0	1	3	7
Learjet Model 25	-	-	-	-	-	7
TOTAL	116	82	71	97	99	465
MID CABIN						
BAe 125-800	27	27	31	30	32+6	153
Cessna Citation 111	28	21	26	15	16	106
Dassault Falcon 20	1	1	2	1	2	7
Dassault Falcon 200	9	4	4	0	0	17
IAI 1125 Astra	1	7	1	8	11	28
Learjet Model 55B/C	7	7	4	2	6	26
TOTAL	73	67	68	56	73	337
LARGE CABIN						
Canadair Challenger 601	9	17	13	23	20	82
Dassault Falcon 50	12	14	8	9	12	55
Dassault Falcon 900	-	3	30	27	14	74
GAC Gulfstream 3	15	14	4	2	0	35
GAC Gulfstream 4	-	8	26	49	40	123
TOTAL	36	56	81	110	86	369

General Aircraft Manufacturers Association (US); BAe

THE DRAGON'S DYNASTY

BRITISH AEROSPACE's BAe 125 executive jet has been a quiet success story for 28 years. It is also typical of the aircraft used by the businessman in a hurry.

The type was designed by De Havilland, now incorporated into BAe, and first flown in 1962 as the Jet Dragon. That name was soon dropped. The aircraft seats about six people and is powered by twin, rear-mounted jets.

Currently in production are the Series 800 and 1000 models, the latter announced late last year. Previous models no longer in production sold a total of 473 aircraft.

Improvements to the type over the years have seen the original Rolls-Royce Viper turbojets replaced by quieter Garrett and, on the 1000, Pratt & Whitney Canada turbofans, which have also helped to extend the range flown. The aircraft has become longer and roomier.

□

Aerodynamic improvements on the 1000 model include a wing redesigned with the benefit of Airbus technology. With increased fuel, the aircraft can reach New York from London in one leg, or cross the US from coast to coast. Flight instruments, keeping abreast of latest developments in the industry, are electronic. Navigation uses two high-precision instruments: the inertial reference system, which uses accelerometers in three axes, and the global positioning system, which takes signals from satellites.

At present, the 1000 is authorised to use its instrument landing system – whereby guidance signals from ground equipment registers on instruments in the aircraft, telling the pilot his position relative to the runway – in so-called Category I conditions: with a cloud base down to 200ft. BAe is working on getting the aircraft cleared to use Category II ILS, allowing it to operate with cloud down to 100ft.

ILS equipment is used at most big international airports but more rarely among smaller airfields. *-DAVID BOGGIS*

An east-west joint venture

Three partners plan prototype

THE IDEA of capitalists flying between business meetings at supersonic speeds in a jet powered with British engines, fitted with American avionics and based on a Soviet airframe originally designed for a fighter aircraft may sound bizarre.

But the scenario could become a reality if plans of Gulf Stream Aerospace, the US business aircraft manufacturer, Rolls-Royce, of the UK, and the Sukhoi Design Bureau, previously best-known for its Soviet fighters and bombers, come to fruition.

The three concerns are planning a supersonic business jet for between 16 and 19 passengers, capable of landing on standard business airstrips and being maintained by business aircraft personnel, yet also being able to travel at Mach 2.2 – some 7 per cent faster than the Anglo-French supersonic jet, Concorde.

One of the memoranda of understanding between the American and Soviet concerns also specifies that the aircraft should have a range of 5,000 statute miles. Gulf Stream believes that there is a considerable market for such an aircraft if it were to cost about $50m. It is presently undertaking a marketing study to assess the project, and expects to find that its original estimates of a potential market of about 50-60 jets is a conservative assessment.

The company says that originally it believed the $1bn project would take about 10 years to complete. However, the Soviets are far more ambitious. They envisage being able to fly three or four prototypes by 1993, and actually marketing the aircraft in five years.

Mr Alvin F.Balabam, director of corporate communications at Gulf Stream, says that, although the American company was initially sceptical of the Soviets' time-scale, once its employees had visited the Soviet Union it came to believe that it was achievable.

The Soviet design team certainly appears keen on the enterprise. After meeting for the first time, at the Paris Air Show last year, Mr Allen Paulson, chairman of the board and chief executive of Gulf Stream, and Mr Mikhail Simonov, general designer at the Sukhoi Design Bureau, signed their first memorandum of understanding within 72 hours.

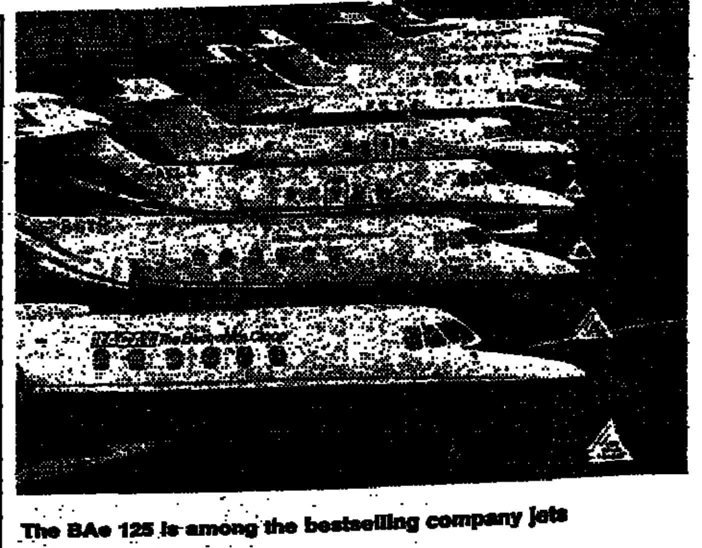
The idea behind the project is that the Soviets should provide the airframe, the British the engines and the Americans the avionics and marketing skills.

Mr Balabam believes that Rolls-Royce should be able to produce a quiet-enough engine within the necessary timescale, while the Soviets' design should be able to overcome the problems of sonic boom that so dogged Concorde.

Rolls-Royce, however, is not quite so confident. In a recent interview, Mr Phil Ruffles, technical director at the British company, said that a production engine would probably not be ready until the end of the decade. The prototype would probably have to be powered by Soviet engines.

If the design of a small business jet proves possible, there are plans to design a stretch version for about 50 passengers.

Paul Abrahams



The BAe 125 is among the bestselling company jets

THE CORPORATE JET

Flexible and comfortable

A LARGE number of businessmen find even first-class or Concorde air travel a hassle in these days of increasingly congested airports, air-traffic control delays and at times difficult road access in and out of airports. Many have therefore turned to business jets, either directly owning or leasing private aircraft.

The corporate jet offers the flexibility required by business executives, as well as the comforts of a flying gin palace. Although the market for these aircraft has gone through a sticky patch following the last oil shock, it has shown signs of recovery after a long period of stagnation.

In part, the recovery reflects the preference of a growing number of businessmen to turn to small corporate jets rather than depend on schedule airline services. But the buoyant business climate of the last few years has been largely responsible for the pick-up of the private jet aircraft market.

Business jet manufacturers warn that there are now beginning to be some clouds on the horizon. A downturn in US economic activity risks having repercussions on the market in the short term. But in the longer run, the major worry of business jet manufacturers and operators is the threat of restrictions of airport access to business aircraft users.

Many civil aviation and airport authorities, especially in Europe, are now considering imposing bans on small corporate aircraft at some big crowded airports like, for example, London Heathrow to relieve some of the congestion at these airports. Already landing fees for smaller aircraft have been increased at some airports, as part of the concerted action to tackle the airport congestion problem.

The strongest part of the corporate jet market is that for middle-size aircraft, such as the British Aerospace BAe 125, the Cessna Citation III, the Dassault Falcon 20, the IAI 1125 Astra, and the Learjet Model 55B/C. Total deliveries in this section of the market rose to 73 aircraft last year from 56 in 1988. The small end of the corporate jet market also showed a small rise last year with deliveries rising to 99 from 97 aircraft in 1988.

However, the top end of the market has suffered as industry in general has become leaner, and corporate users have preferred to opt for middle-size aircraft, rather than large cabin jets. The market for larger jets – including the Canadair Challenger 601, the Dassault Falcon 50 and Falcon 900, the GAC Gulfstream 3 and 4 – saw total deliveries fall to 86 aircraft last year, from 110 the previous year.

In the medium-sized corporate jet market, BAe unveiled last year a new derivative of its long established and successful BAe 125 family of corporate jet aircraft. The new aircraft is called the BAe 1000, and the UK group claims it is the first medium-sized twin engined business jet able to carry six passengers more than 3,200 nautical miles, giving it transatlantic and intercontinental capability. The company describes it as " a long-range aircraft with a medium-range price tag".

Corporate aircraft makers are also increasingly looking at new markets for their jets. BAe, for example, says there is growing interest from regional operators and military customers for its BAe 125 family. The US air force have bought six BAe 125-800s for electronic flight surveillance operations, and the Japanese air force intends to use three BAe 125-800s for similar purposes. Japan, which has been a poor market for business jets, because of access problems for small aircraft at busy Japanese airports, is understood to have an overall need of about 70 small jets for military and coast guard applications.

At the same time, Japan is now showing interest in participating in the development of second generation supersonic aircraft. Of particular attraction to the Japanese and south-east Asian market is a supersonic business jet with a range of around 6,000 nautical miles, which could fly businessmen in record time across the Pacific to the US. The Soviet Union is also working on a supersonic business jet concept, with Gulfstream of the US and Rolls-Royce of the UK on the engine side.

However, the days of a supersonic business jet are still a long way off. Although studies have now begun, the industry agrees that a new generation of supersonic aircraft is unlikely to emerge until well into the next century. But corporate jet manufacturers also believe that there is a real need for a new supersonic business aircraft, especially if no successor to Concorde is built by the large airframe makers.

"We are continuously looking at supersonic, and we believe there is a need for a large business supersonic jet," says a senior executive at BAe's corporate aircraft division. But he also concedes that the studies are still only at a very preliminary phase.

Paul Betts

BUSINESS AIR TRAVEL 6

The market for civil helicopters is improving, as more...

Rise above the hassle

WITH ROAD congestion increasing, and rail travel often uncomfortable, unreliable and increasingly expensive, many businessmen are turning to the helicopter as a means of moving around quickly and conveniently.

The Civil Aviation Authority reports that the number of civil helicopters on the UK register currently stands at nearly 860, compared with 820 last October, 674 in January last year, and 582 at end-1987. Although not all of those machines are in active service, the steady increase in numbers clearly indicates a growing desire on the part of more and more people to save time and money through ease of mobility in conducting their affairs.

This trend is not just occurring in the UK, but on the Continent and in the US too. Overall, the world market for civil helicopters appears to be improving. At the Heli Expo QO event in Dallas earlier this year, industry experts were forecasting world civil helicopter sales over the next decade of some 5,100 aircraft, out of total sales (including military) of some 10,000 aircraft. The civil figure was some 17 per cent above the previous year's forecast of only 4,500 aircraft. By far the biggest proportion of that market is expected to continue to be in the light single and twin-engined types, which are the cheapest to buy and to fly.

The ubiquitous nature of a helicopter – its ability to land and take off from virtually any small, flat area, either in car parks, fields or the roofs of buildings, for example, apart from specifically constructed helipads and heliports – ensures that much of the hassle in everyday communications is removed. And the smaller the aircraft, the easier such mobility becomes.

Businessmen can use helicopters in a variety of ways. Companies can either buy aircraft outright, and employ professional pilots to undertake the flying, or charter aircraft from any of the many organisations engaged in the rotary-winged business. This is usually the case with the larger types of aircraft, where it is necessary to transport several executives around at the same time, but there is an increasing number of businessmen who prefer to use smaller aircraft, and to fly themselves, finding it a relaxation from the normal strains of driving on increasingly congested roads.

Glyn Genin

An Aerospatiale Twin Squirrel, of Aeromega Helicopters

Contrary to some opinions, it is neither difficult nor expensive to learn to fly a helicopter, and the longer-term benefits of the easier mobility thus gained far outweighs both the initial investment in training and aircraft procurement, and subsequent operational costs.

The British Helicopter Advisory Board, established some time ago to promote the use of helicopters and to communicate with government and other authorities on all matters relating to helicopter activities, lists among its members not only helicopter manufacturers but also a large number of companies specialising in the maintainance, operation and leasing of aircraft, and in helicopter flying training, as well as many private owners, companies and other organisations which have discovered the benefits of rotary-winged flight.

The BHAB also lists in its regularly updated handbook – an invaluable document for any businessman interested in rotary- winged flight – the surprisingly large number of BHAB member heliports and helipads throughout the country, including those for which prior permission to land is required.

A wide range of types of aircraft is available on the UK register, either for hire or for purchase. Prices vary widely according to size of aircraft, but the smallest and cheapest – and also individually one of the most popular aircraft – is the US-built Robinson R-22 Beta single piston-engined two-seater, with a speed of just over 100mph and a range of up to 360 statute miles. Another popular type is the four-to-five seat single-turbine powered Bell Jet Ranger, with a speed of up to 150mph and a range of 350 miles.

Larger single-turbine engined types available include the five-to-six seat French Aérospatiale Squirrel, with a speed of 150mph and a range of 460 miles.

These types are popular not only because of their small size and good range and payload performances, but also because they are environmentally suitable.

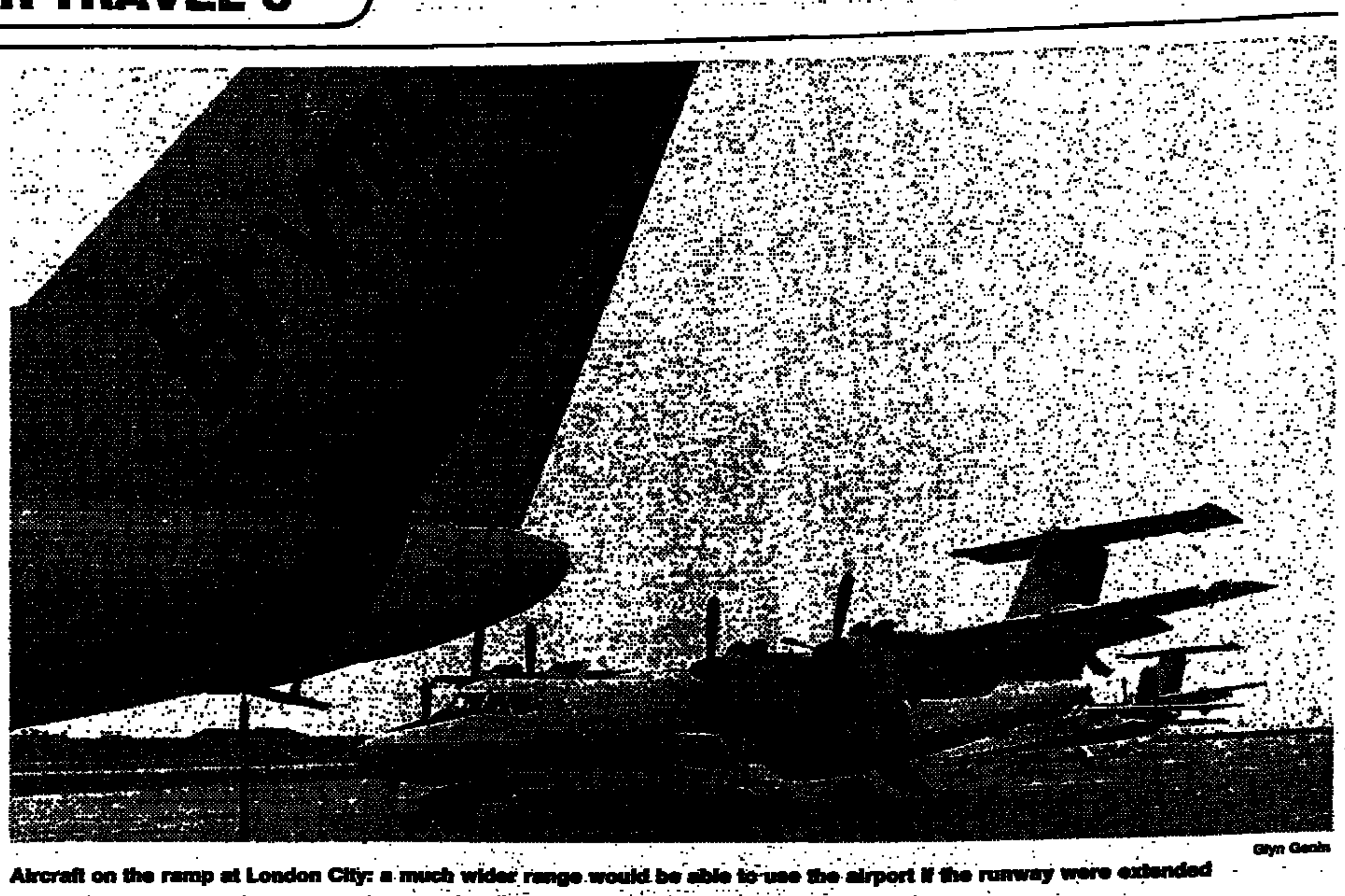
Helicopter noise has often aroused hostility in the past, and is still today probably the *most important single factor* mitigating against much more widespread use of such aircraft, by both businessmen and others.

The BHAB has therefore also produced a code of conduct, to which all its members adhere, designed not only to ensure safety in rotary-winged operations but also to show an increasingly environmentally-conscious public that helicopter operators are aware of the need to preserve the environment from unnecessary noise intrusion.

The BHAB's view is that the whole helicopter industry must demonstrate a responsible and co-operative attitude to this situation, and insists that this can best be done by observing the code of conduct at all times, but particularly in congested urban areas.

Michael Donne

Further information on all aspects of helicopter operations can be obtained from the BHAB, Building C2, West Entrance, Fairoaks Airport, Chobham, Woking, Surrey, GU24 8HX.



Glyn Genin

Aircraft on the ramp at London City: a much wider range would be able to use the airport if the runway were extended

LONDON CITY AIRPORT

A longer runway is crucial

LONDON City Airport has steadily built up over the past two years a growing number of devotees who find flying on short business hops to Paris, Brussels or Amsterdam infinitely more agreeable from the new Docklands airstrip than from the crowded congested atmosphere of Heathrow or Gatwick.

The airport has pioneered a new style of business air travel. The building looks more like a comfortable modern hotel than an airport terminal. It never seems crowded. Check-in, customs and security formalities are quick and painless. The restaurant serves good food and has a lovely view over the airfield surrounded by water where on a clear day people often water ski.

The flights on the small four engine turboprop De Havilland Dash 7 short take-off and landing (stol) passenger aircraft also offer a more intimate and uncrowded service than on the larger conventional jets. All the airlines operating with the Dash 7 out of London City have made big efforts to offer passengers all the comforts expected by business travellers, ranging from a good stock of newspapers, a snack and a wide variety of complementary alcoholic or non-alcoholic drinks. Because the aircraft are small, boarding and disembarking are both swift and easy.

The airport and the flights in and out of London City was built with the businessman in mind. The idea was to provide the City of London with an airport within easy reach by boat, car or rail. But in spite of its undoubted attractions and novel travelling concept, the airport, which last winter celebrated its second anniversary, still faces an uncertain future and is struggling to make ends meet.

The next few months are likely to be crucial for London City Airport, which is awaiting anxiously the outcome of a public inquiry into a £7m proposal to extend the airport's runway. The long term financial viability of the airport hinges on the runway extension plan.

At present only the small Dash 7 can operate out of London City Airport. This limits the range of destinations the airport can serve. However, if London City receives the go-ahead to extend the runway, other commuter and regional aircraft will be able to operate out of the airport including the BAe 146 jet, the Fokker 50, the De Havilland Dash 8, the Saab 340, among others. The airport owners, the John Mowlem construction group, is especially anxious to see the BAe 146 four engine jet operate out of London City because the aircraft is noise friendly; it has been dubbed "the whisper jet", and has short take-off and landing capabilities.

Increasing the length of the runway would greatly expand the range of destinations served by London City. This would attract more airlines, especially national carriers. Many large airlines have in fact adopted a "wait and see" attitude and have been reluctant to consider committing themselves to opening new services until they can be assured of the airport's future.

The problem of extending the runway has become all the more pronounced since Boeing's decision to halt production of the De Havilland Dash 7, the only aircraft at present allowed to fly into London City airport.

The planning inquiry on the runway extension is due to start in July and the airport owners hope a decision will be finally taken in spring 1991. If the extension is approved by then, the expanded airport could be operated from the beginning of 1992. This would coincide with the timetable for the European Single Market, which is expected to boost demand for short haul airline services between London and leading business centres on the Continent.

London City has lobbied the local community hard, sending leaflets and organising polls showing favourable reaction to the introduction of BAe 146 flights out of the Dockland airstrip. The airport has also organised an exhibition in the terminal lobby to explain its development plans and the need for the runway extension. This is all part of its efforts to expand public awareness about London City.

Another handicap has been access from the City to the airport. Construction and road works in the Dockland area can often provoke long delays. Indeed, as long as it takes more than 15 minutes by taxi to reach the airport from the City, it cannot take full advantage of one of its main attractions to business people. At the same time, while the Riverbus service provides an efficient and rapid way to reach the City, boats operate only at hourly intervals.

However, access to the airport is expected to improve in time. The big question is the need to extend the runway to expand the range of aircraft operating out of the airport. *Unless London City wins its* planning application for the runway extension, it will continue to lose money and its future will remain in doubt even though passenger traffic has been building up steadily with between 5,500-6,000 business travellers now using the airport every week.

Paul Betts

Trends in technology will soon make it easier to...

Ring the office from the air

SALES OF Robert Ludlum novels – those old stand-bys for tedious and time-consuming long-haul flights – may be about to take a dip, if market research on the future of aeronautical satellite communications is correct.

New second-generation satellite technology, due to be launched this October, should mean that businessmen on aircraft around the world will instead be able to fax, telex, talk to their offices and even download data from their portable computers while in the air.

At present, two voice systems based on VHF are already available in the US. However, the technology behind these services, which have been running about five years, has some serious limitations.

In the first place, the equipment on the aircraft is limited in its range to the line of sight between the aircraft and the nearest ground stations – a maximum of about 200 miles. This also means that the service is not available over the ocean. In addition, there is no means of handing over from ground station to ground station, which results in frequently interrupted calls.

Finally, the quality of sound on the system is lamentable. Terrestrial communications' effectiveness is limited because the electrical properties of the short-wave radio band are affected by sunspots and solar flares. This means that applications are essentially limited to voice communications. The integrity of any data sent by these methods would be dubious.

However, new technology being offered by Inmarsat, the international agency operating satellite services for the world's merchant ships, should mean that such limitations become a thing of the past.

The company is launching six satellites during the 1990s, which should completely change the market, according to Mr Fintan Ryan, head of applications development of the aeronautical division of Inmarsat. He argues that, although terrestrial systems have been successful, they have been held up by problems of quality.

"The quality of the satellite communications is excellent," explains Mr Ryan. "You wouldn't notice the difference in quality between a call made in the air and one made in the office."

Racal Electronics believes that within two years passengers will be able to make calls from each seat in first and club class

The satellite system is completely digital, which improves the sound quality, explains Mr Ryan. In addition, each call is tagged so that, when possible, the communication passes from the satellite to the ground station, and then to the ultimate destination via ground links. It takes a quarter of a second from the satellite to the ground station, and this procedure prevents a double delay.

At present, the company is running combined trials with British Telecom, British Airways and Racal Electronics on trans-Atlantic flights since February last year.

The passenger moves to the front of the aircraft to the telephones and swipes a credit card through a reader for verification. He or she is then able to call out to most countries using the standard international telephone codes. A bill is then sent to the customer in the normal way via the credit card customer.

Racal Electronics believes that within two years passengers will be able to make calls from each seat in first and club class. The caller will be also be able to provide a limit on the cost of the call before it is made, in case he or she is worried about spending too much money.

At present, the BA scheme has only four channels, but once Inmarsat launches the first of the second generation satellites this October, using the Delta platform, as many as 32 channels will be available. Eventually, the six new satellites should provide complete coverage of the globe except beyond 80 deg north and 80 deg south.

Three consortia have been set up to provide aeronautical satellite communication services. These are Skyphone, which is backed by British Telecom, Norwegian Telecom and Singapore Telecom; Société Internationale de Télécommunications Aeronautiques (Sita), financed by France Télécom, Teleglobe Canada and OTC of Australia; and Comsat of the US.

There are two main markets for the aeronautical satellite communications. The first is the private corporate jets sector. Inmarsat expects to have 30 corporate customers by the end of the year.

The second sector consists of the airlines. Inmarsat believes that airlines should have plenty of reasons for investing in such systems, despite the high cost of installation. The avionics necessary range from about $250,000 to $500,000.

Racal Electronics argues that aeronautical satellite communications could generate considerable revenue for the airline as well as provide added value to carriers' business and first class services.

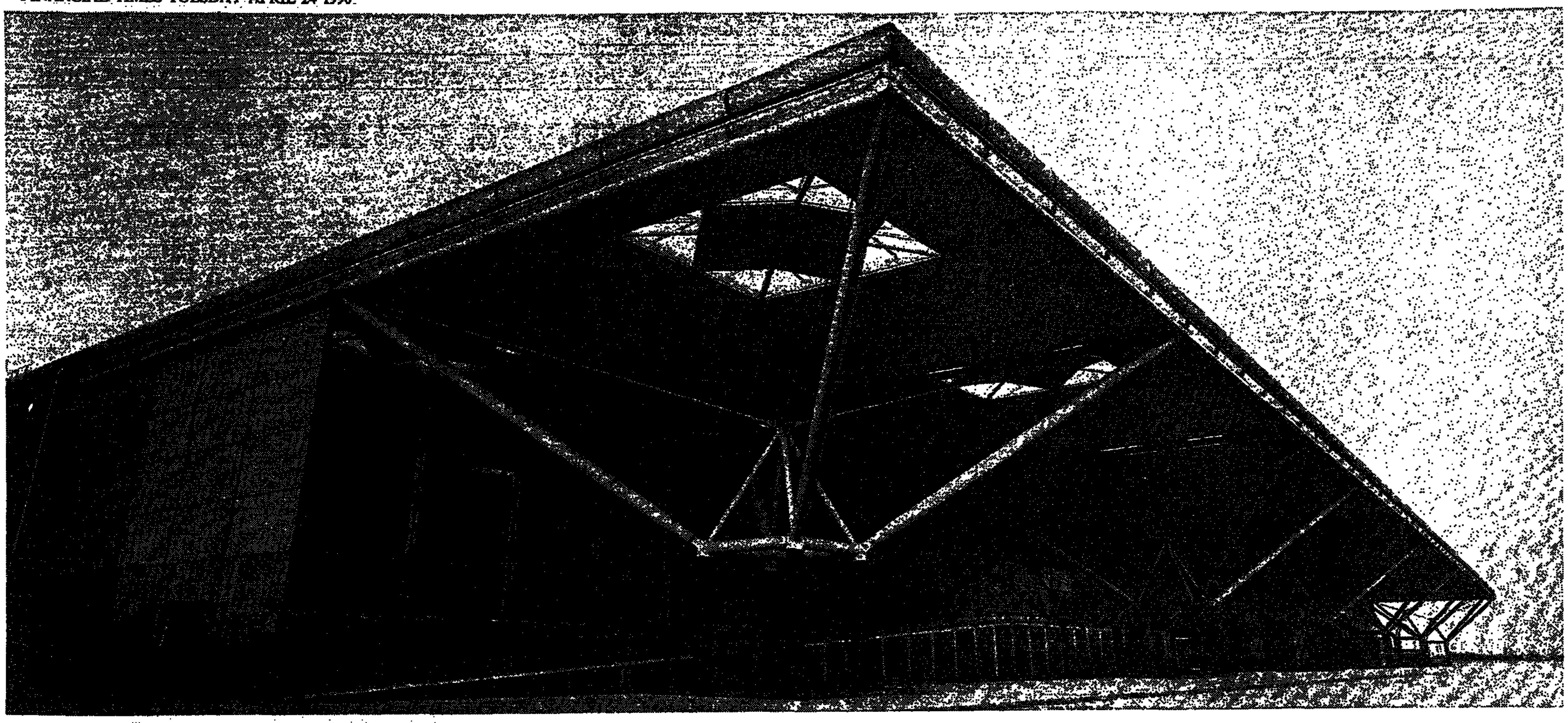
The airlines will also be able to link up the telephones with selected hotels, car rental companies and other services, so the executives can call ahead to them, generating further revenue for the carrier. The airline also receives about 40 per cent of the call charge. At present, BA is charging about $10 a minute.

One final advantage for the airline, once the system is installed, is that it can benefit from the technology by providing real-time information on the aircraft's engines and performance, its position and speed. Air traffic controllers or the airline's headquarters could then instruct the pilot or engineer of any adjustments that might be necessary.

The systems might therefore help our jet-setting, telephone wielding, portable computer operating executives to arrive on time. The technology could be used to provide air-traffic controllers with the exact location of the aircraft in areas without adequate radar coverage. This would allow them to reduce the separation between aircraft, which in some cases is as much as 60 miles.

Inmarsat expects the take-up by the airlines to be similar to that in the shipping sector. It *now has more than 10,000* users, compared with 3,000 three years ago. Airbus estimates that the world fleet, excluding the Soviet Union and China, consists of about 7,397 aircraft and should grow to about 13,000 by the year 2008. Multiply that by the cost of the avionics necessary for aeronautical satellite communications, and it becomes clear that the potential market for both hardware and services is not inconsiderable.

Paul Abrahams



London's third airport will be second to none.

The new terminal complex at Stansted will open in March of 1991. 10 years and £400,000,000 in the making it is just part of BAA's £2 billion investment programme.

When you enter the terminal next year you will be struck by the simplicity of the Norman Foster design.

Everything you need is on one level.

Departures are on the left, arrivals on the right.

You will simply move in a straight line from the front of the building through check-in, security and passport control to the departure lounge at the back.

Stansted is ideally located just a short drive off the M11 and the M25. By train, it will take just 40 minutes on the direct rail link from Liverpool Street.

Nothing could be easier. But then making life easier for the passenger is what BAA is all about, and that takes careful planning.

BAA's forecasting team have consistently predicted passenger demand with unrivalled accuracy.

This expertise was behind the opening of the North Terminal at Gatwick, the new Terminal 4 at Heathrow and the rebuilding of Terminal 3 to give far greater comfort than before.

We are also planning the Heathrow Express rail link which will take just 16 minutes from Paddington.

With this policy of constant development and improvement, it's clear that with Heathrow, Gatwick and Stansted, London will not just lead Paris, Frankfurt and Amsterdam – our position as the number one international airport group in the world will be in no doubt.

B·A·A

The world's leading international airport group.

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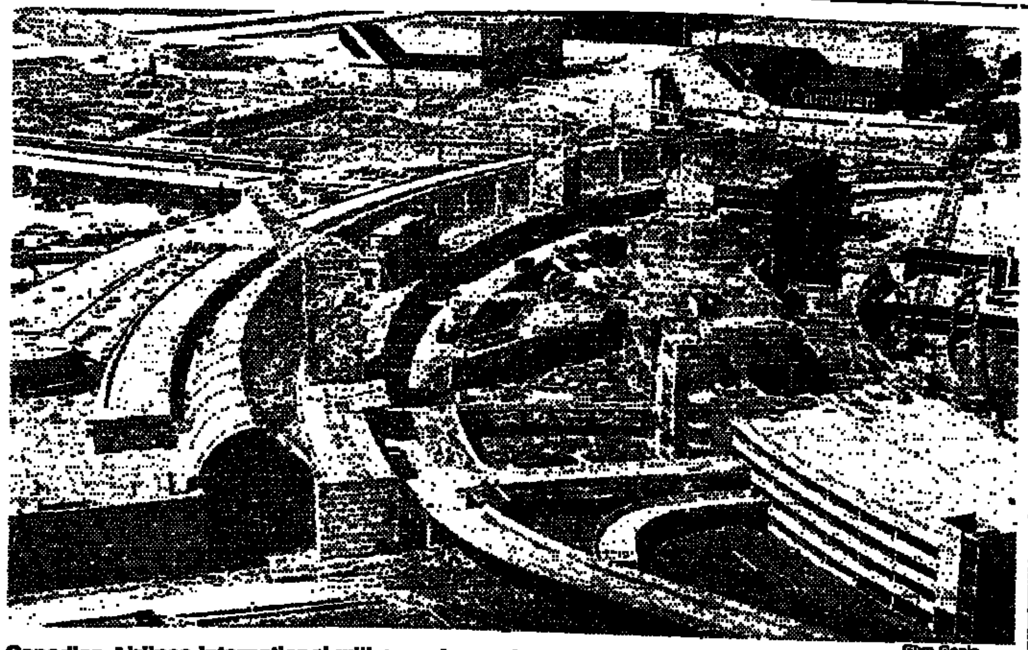


Glyn Genin

Canadian Airlines International will operate services to Europe, the Far East, Australasia and South America, as well as to destinations in the US and Canada, from the new £300m Terminal Three, at Toronto's Pearson International Airport, which is due to open in September. The terminal is expected to handle 10m passengers in the first year

UK SHUTTLE SERVICES

Rivalries intensify

AS BOTH business and leisure travel throughout the UK have grown steadily in recent years, so has the rivalry between airlines for a share of the "shuttle" market.

British Airways, which used to so dominate domestic routes that its Shuttle service has become established as the generic name for domestic air travel, has increasingly in recent years faced stiff competition. Rivals who have developed their own niches in the UK markets include British Midland, Air UK, and Dan Air.

BA has at least 50 per cent of the overall UK domestic market with some 200 flights a day carrying 5.5m passengers. British Midland carries about half this figure.

BA was eventually forced last September to re-launch its domestic service with a £11m face-lift to its Shuttle flights to Edinburgh, Glasgow, Belfast, and Manchester out of London Heathrow.

The upgrade in service meant that free meals and drinks are now provided on all flights instead of the previous rather miserly catering. This was forced on BA by the popularity of British Midland's Diamond Service flights which managed to serve comprehensive meals on even short trips.

BA's decision to change its catering services in-flight was in line with the move away from the pure Shuttle service of the past when passengers simply turned up and took off – but were guaranteed to get away on a back-up flight if the first flight was full. This was a guarantee that cost the airline £5,000 per hour to keep.

BA has now effectively created two types of shuttle service: higher-priced executive fares which gives most flexibility on flights and keeps the standby guarantee; and discount fares for passengers who can book ahead and are not on so rigid a schedule that they cannot fly off-peak.

The system, however, does not always work. "Feedback from some clients indicates that the offer of back-up aircraft does not always happen," says Mr Colin Rainbow, commercial director of Pickfords Business Travel.

Self-ticketing machines called 'TimeSaver' have also been introduced by BA at Heathrow to enable frequent flyers to buy their ticket and book their seat at the airport just 15 to 20 minutes before the flight. To use this machine, however, a special card has to be obtained.

Only TimeSaver cardholders, moreover, qualify for certain off-peak fares available – which potentially can achieve savings of 20 per cent of the full fare.

The pricing structure on domestic routes is so complex, therefore, that many travellers fail to get the best bargain and the airlines have been criticised for not simplifying fares.

BA, however, is pleased with the Shuttle re-launch, as route traffic is up by 10 per cent in the first quarter of this year in comparison with 1989.

David Churchill

Roderick Oram on restive US business fliers and, below, the executive jet market

Travellers demand value for money

AMERICAN executives are travelling more than ever before but they are growing increasingly restive about escalating airfares and crowded airports.

They are also feeling resentful that money from special levies are piling up in government accounts rather than being spent as intended on new facilities.

"Quite honestly, I expect to see a Boston tea party over this taxation without representation," said Ms Margie Crace, president of the National Business Travel Association (NBTA) and travel manager for Chemed, a Cincinnati company.

Most of the anger is directed at the 8 per cent levy – soon to rise to 10 per cent – on all tickets which flows into the federal government's Airport and Airways Trust Fund. Rather than spend it, Washington is shuffling the funds's billions of dollars around the federal budget to help reduce the deficit.

"Business travellers make a big contribution to the economy. They have the right to better facilities which the fund should finance," Ms Crace said.

The need to upgrade US airports and air traffic control is ever more pressing. Total passenger miles on US airlines rose 2 per cent last year to a record 430bn miles. Business fliers accounted for 51 per cent of the total, up from 50 per cent in 1988.

Companies are putting more personnel on the road, according to recent results from the annual survey of Illinois-based Runzheimer International, management consultants for travel and living costs.

The average number of frequent travellers in each company surveyed rose 12 per cent last year to 727. Their average number of days on the road increased to 57 from 48 a year earlier, surpassing peak levels of the early 1980s.

The increase came in spite of rising airfares. From the first quarter of 1988 to the last quarter of 1989, the average domestic airfare rose 25 per cent from \$356 to \$447. In the same period international fares rose 23 per cent from \$1,604 to \$1,904, Runzheimer said.

Rising prices fueled two trends. First, big companies are negotiating harder than ever with airlines for specially discounted fares; more small companies are trying to achieve similar savings by shifting their business to outside travel managers or travel agencies.

The second trend has in turn increased the pressure for consolidation in the travel business. More nationwide chains are forming to compete with established players such as American Express. Thomas Cook Travel Inc., for example, bought two north-eastern US travel chains last December.

Companies spending more than \$30m a year on airfares negotiate discounts on some 36 per cent of their tickets, according to a recent survey of 500 companies by Topaz Enterprise. The average price of a discounted ticket was a slender \$129, compared with \$188 for a normal advanced purchase fare, \$545 for coach class and \$663 for first class.

Another way companies tackle rising fares is to demand that employees hand over the "frequent flier" miles they accumulate on company business. Employees usually treated them as a perk with, for example, 20,000 miles of travel entitling them to a free round trip ticket in the US which they use typically for holiday or personal reasons. Now some companies are insisting they turn them into tickets for corporate use.

Another handy application of frequent flier awards is for travellers to upgrade from coach to first-class. Alternatively, members of many frequent flier clubs can buy books of upgrade coupons which typically work out at between \$15 and \$45 per flight.

Such mechanisms make domestic US flight remarkably egalitarian. A first class passenger is paying only a little more for the privilege but then the improvement in service or comfort over coach class is minimal compared with business class on international flights. Moreover, narrow-bodied aircraft often have only a dozen or so first class seats on domestic flights.

Airlines are beginning to wonder if there might be scope to introduce a business class on domestic flights and to significantly improve first class. American Airlines, for instance, is undertaking extensive market research on the subject but implementation of any such idea could be at least a year away.

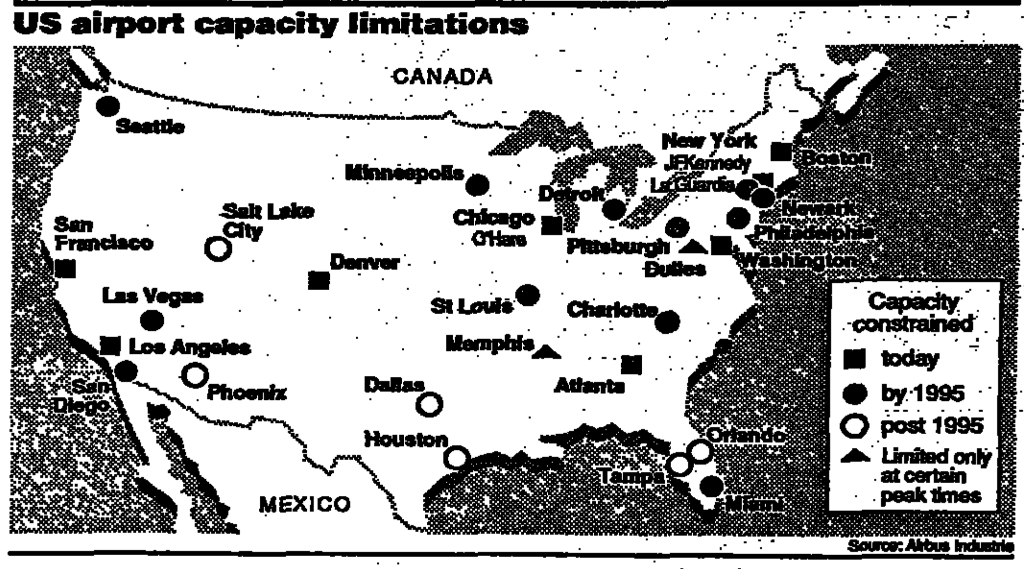
A virtually complete smoking ban imposed by the government on domestic US flights earlier this year is one factor which is giving airlines more room for revamping their seating plans, said Ms Mary O'Neill a spokeswoman for American Airlines.

Worse than the crowding inside aircraft are the tight conditions in airports and airspace. The number of flights delayed is increasing slowly as traffic rises. Denver is planning to get a new airport off the drawing board this decade but it will be the first significant new US airport since Dallas-Fort Worth nearly 20 years ago.

US business travellers are also growing increasingly active in lobbying for better conditions and service abroad. Issues in Europe, for example, include the need to upgrade air traffic control and computer reservation systems and to improve airline competition, said Mr Jack Witherspoon, chairman of both the NBTA in the US and the International Business Travel Association, which groups together national organisations from some dozen countries.

With corporate customers relying ever more on air travel as a business tool, airlines can expect more pressure to improve services and hold the line on fares, travel industry officials believe.

US airport capacity limitations



Source: Airbus Industrie

High prices fail to dampen outlook

IT IS not quite a return to the heady days of the late 1970s for the US executive jet market, but manufacturers are enjoying the most favourable conditions in a decade and are forecasting further modest but steady growth.

All the factors of economy and convenience that have long favoured travel by corporate jets over scheduled carriers are now as valid as they have ever been. Airlines' fares are rising and congestion is getting worse in their hub and spoke route networks.

"Airline deregulation was the greatest favour anyone could do for business aviation," said Mr Henry Ogrodzinski, director of communications of the General Aviation Manufacturers Association (Gama). The resulting hub and spoke networks "are terribly efficient for airlines but terribly inefficient for travellers."

Gama has a long list of typical domestic journeys which are time consuming on scheduled airlines but speedy by private aircraft. One of its favourite examples is a round trip from Wichita, Kansas, to Rochester, Minnesota. The time is 14 hours by scheduled airline versus three-and-a-half by private jet.

As the US's long period of economic growth through the 1980s began to make it easier for companies to justify the cost of using corporate aircraft, sales of new equipment picked up significantly. Deliveries of US-made business jets jumped from 122 in both 1986 and 1987 to 157 in both 1988 and 1989. It was still a far cry, though, from the peak of 282 in 1979.

Still, it was a welcome fillip for both domestic and foreign manufacturers and the trend looks favourable for the medium-term. The Federal Aviation Administration is forecasting that the business jet fleet will rise from 4,240 aircraft last year to 6,820 by 2001, implying delivery of some 200 aircraft a year.

Makers are also enthusiastic about rising demand from the Pacific Rim and from Europe as western Europe unifies and eastern Europe liberalises. Besides these influences on demand, two additional factors are a shrinking supply of good, little used second-hand aircraft and an ageing fleet. The average age of US registered business jets is 14 years and the average for the oldest 25 per cent is 20 years.

The more buoyant mood among manufacturers was evident at the industry's annual convention last October. Six new or revamped models were displayed, many of them attracting a rush of orders.

The small to medium segment of the market is attracting a lot of interest because of the potential economies aircraft of this size should offer. British Aerospace, for example, has high hopes for its 1000 which will be the first mid-sized jet capable of flying non-stop from the eastern US to Europe. It is due to make its maiden flight shortly with first deliveries in the US in the autumn of next year.

BAe, which has yet to gear up its US marketing effort for the aircraft, will be pointing out to potential owners that they could afford two 1000s at about \$11m a piece rather than one \$25m Gulfstream IV or Falcon 900, the leading business jets. Two aircraft for the price of one means considerable operational flexibility, said Mr Kenneth Spinney, vice president marketing, corporate aviation, at BAe's US subsidiary.

As bullish as the manufacturers are, though, the aircraft operators keep reminding them of an uncomfortable truth: the price tag on a new business jet today is roughly five times the price 10 years ago for essentially a similar aircraft. Worse, in 1985 companies lost the investment tax credit that gave them a financial break on owning aircraft.

Thus operators are demanding increasing efficiency and technological sophistication. Unfortunately the designs of many current models are getting long in the tooth and are as about as highly developed as they can get. Any big leap forward is unlikely before the mid-1990s, analysts say.

The most daring project is the development of a supersonic business jet by Gulfstream of the US and the Sukhoi aircraft design bureau of the Soviet Union. They have yet to establish the configuration but it is likely be a 10 to 12 passenger aircraft with a range of some 5,000 miles at Mach 2 to 2.2 at 55,000ft-60,000ft. Sukhoi will design and build the fuselage and Gulfstream equip them.

In spite of the huge technological and financial hurdles, Mr Allen Paulson, Gulfstream's owner, is convinced the aircraft will get off the drawing board.

To take matters more into his own hands he recently bought back Gulfstream from Chrysler for \$825m. He had sold it to the car company in 1985 for \$637m and run it for them in the interim.

In the other main corporate change this year, Learjet was recently sold to Bombardier of Canada after a short period under the ownership of Integrated Resources, a New York financial services company which went bankrupt in February.

Learjet's range of smaller business jets will complement the wide-bodied executive jets made by Bombardier's Challenger division.

With demand for business jets increasing, operators are fighting harder than ever for their share of airspace and airports. The National Business Aircraft Association has to lobby constantly on a wide range of issues, said Mr Jonathan Howe, its president.

Typical are attempts by some crowded airports to exclude general aviation aircraft from their runways or at least charge them high fees to discourage them. The association spent \$500,000 just to fight such a plan in Boston.

There are solutions, though. Satellite airports continue to develop with Atlanta, for example, having 12 ringing the city. The US military is also allowing general aviation aircraft to use some 160 non-strategic airbases across the country.

Just as manufactures are scrambling for their share of a modest pie, so aircraft users are having to fight hard for economic access to facilities.